



//KHARA HAIS MUNICIPALITY
AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2015

//KHARA HAIS MUNICIPALITY

Annual Financial Statements For the Year Ended 30 June 2015

GENERAL INFORMATION

NATURE OF BUSINESS

//Khara Hais Municipality is a local municipality performing the functions as set out in the Constitution (Act no 105 of 1996).

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998) and are classified as a medium capacity municipality.

JURISDICTION

The //Khara Hais Municipality includes the following areas:

Upington	Karos
Leerkrans	Lambrechtsdrift
Kalksloot	Sesbrugge

The total population of //Khara Hais Municipality is 102 692 (STATS 2011) and the jurisdiction size is 3 444 km².

MEMBERS OF COUNCIL

LA Koloi	Mayor
T Basson	Speaker
E Allies	Member of Executive Committee
M Segede	Member of Executive Committee
JL Snyman	Member of Executive Committee
K de Wee	Member of Executive Committee
MM Abels	Councillor
E Munnik	Councillor
M Andreas	Councillor
J Assegaai	Councillor
MG Brand	Councillor
M Kock	Councillor
J Thomas	Councillor
R George	Councillor
J Isaacs	Councillor
E Lebisa	Councillor
SP May	Councillor
E Mnyaka	Councillor
J Moya	Councillor
D Ntlanganiso	Councillor
M Plaitjies	Councillor
IISS Selborne	Councillor
PT van der Steen	Councillor
AJ van Rooyen	Councillor
A van Wyk	Councillor
M Bosman	Councillor

MUNICIPAL MANAGER:

Dalixolo Eric Ngxanga

CHIEF FINANCIAL OFFICER:

Gaylene Mercia Schreiner

//KHARA HAIS MUNICIPALITY

Annual Financial Statements For the Year Ended 30 June 2015

GENERAL INFORMATION

GRADING OF LOCAL AUTHORITY:

Grade 3

AUDITORS:

Auditor-General (Northern Cape)

PRIMARY BANKERS:

ABSA Bank Ltd

RELEVANT LEGISLATION:

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

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Annual Financial Statements For the Year Ended 30 June 2015

GENERAL INFORMATION

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 95, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager

Date signed

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Annual Financial Statements For the Year Ended 30 June 2015

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//KHARA HAIS MUNICIPALITY



// KHARA HAIS MUNICIPALITY STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Note	2015 Restated R	2015 Original R	2014 Restated R
ASSETS				
Non-current assets		1 841 344 484	1 839 570 136	1 853 598 152
Property, plant and equipment	1.1	1 616 006 846	1 616 819 159	1 624 661 396
Intangible assets	1.2	3 372 322	785 661	3 518 555
Investment Property	1.3	217 637 918	217 637 918	221 085 402
Heritage Assets	1.4	4 309 000	4 309 000	4 309 000
Non-current receivables	2	18 398	18 398	23 799
Current assets		69 955 750	70 091 648	65 886 482
Inventory	3	5 602 115	6 005 855	5 774 777
Trade receivables from exchange transactions	4	52 306 729	52 083 299	45 214 620
Trade receivables from non-exchange transactions	4	7 474 713	7 474 713	5 180 551
Other receivables	5	925 833	882 507	842 105
Unpaid conditional grants and receipts	6	1 891 334	1 891 334	4 790 158
Short term investments	7	0	0	668 913
Cash and cash equivalents	8	1 441 674	1 441 674	2 871 591
VAT Receivable	17	308 443	307 357	539 368
Current portion of receivables	2	4 910	4 910	4 400
TOTAL ASSETS		1 911 300 235	1 909 661 784	1 919 484 634
NET ASSETS AND LIABILITIES				
Non-current liabilities		188 400 484	188 961 424	207 055 755
Non-current borrowings	9	106 009 059	106 009 059	122 438 276
Employee Benefits	10	78 935 294	78 935 294	80 826 999
Non-current Provisions	11	3 456 131	4 017 071	3 790 480
Current liabilities		163 649 492	163 321 919	176 842 445
Current portion of borrowings	9	17 060 136	17 060 136	23 229 362
Consumer deposits	12	8 999 947	8 999 947	8 112 290
Current Employee Benefits	13	3 575 925	3 575 925	4 155 000
Provisions	14	1 054 944	871 898	1 276 954
Trade and other payables	15	120 944 230	120 799 703	99 988 875
Unspent conditional grants and receipts	16	5 675 345	5 675 345	36 086 943
VAT payable	17	-	-	-
Bank Overdraft	18	6 338 965	6 338 965	3 993 021
Net assets		1 559 250 259	1 557 378 441	1 535 586 435
Accumulated surplus / (deficit)	19	1 559 250 259	1 557 378 441	1 535 586 435
TOTAL NET ASSETS AND LIABILITIES		1 911 300 235	1 909 661 784	1 919 484 634

//KHARA HAIS MUNICIPALITY



//KHARA HAIS MUNICIPALITY STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 Restated R	2015 Original R	2014 Restated R
REVENUE				
Revenue from Non-Exchange Transactions		226 891 783	226 683 836	203 616 451
Taxation Revenue		76 867 931	76 867 931	61 002 862
Property rates	20	76 867 931	76 867 931	61 002 862
Transfer Revenue		119 351 637	119 351 637	122 323 170
Government grants and subsidies - Operating	22	67 146 929	67 146 929	69 412 773
Government grants and subsidies - Capital	22	52 204 709	52 204 709	52 910 396
Other Revenue		30 672 215	30 464 268	20 290 420
Actuarial Gain	10	12 338 566	12 338 566	6 706 302
Fines		3 090 069	3 090 069	873 270
Reversal of a Provision		218 907	10 960	-
Fair Value Adjustment on Investment Property		15 024 674	15 024 674	12 710 848
Revenue from Exchange Transactions		358 897 203	358 673 773	330 896 286
Service Charges	21	327 927 612	327 704 182	303 244 623
Rental of facilities and equipment		8 599 114	8 599 114	8 123 689
Interest earned - external investments		705 541	705 541	1 164 803
Interest earned - outstanding receivables		2 476 625	2 476 625	1 996 524
Licences and permits		1 664 742	1 664 742	1 642 016
Income for agency service		3 706 379	3 706 379	3 457 770
Income for housing agency service		1 250 000	1 250 000	648 363
Employee housing		55 042	55 042	104 375
Other income	23	12 512 146	12 512 146	7 469 669
Gain on Disposal of Property, Plant and Equipment		-	-	3 044 454
		585 788 986	585 357 609	534 512 738
Less: Revenue forgone		(7 168 305)	(7 168 305)	(2 138 216)
TOTAL REVENUE		578 620 681	578 189 304	532 374 522
EXPENDITURE		554 956 857	551 451 368	548 000 654
Employee related costs	24	196 437 510	196 345 153	199 439 592
Remuneration of councillors	25	7 516 034	7 516 034	7 120 448
Contributions to provisions - Bad debts	26.1	7 597 071	7 597 071	240 590
Contributions to provisions - Other	26.2	12 371 000	12 371 000	11 767 737
Actuarial Loss	10	-	-	-
Collection cost		85 700	85 700	154 825
Depreciation and amortisation expense	27	72 245 355	71 727 045	72 753 130
Impairment Losses	27	3 121 989	128 011	11 709 085
Repairs and maintenance	28	9 297 228	9 396 614	10 555 449
Finance costs	29	15 765 268	15 935 215	20 542 401
Bulk purchases	30	149 832 916	150 177 067	136 375 859
Contracted services	31	9 137 414	9 137 414	15 983 849
Grants and subsidies paid	32	27 047 051	27 047 051	27 209 537
Operating projects	33	-	-	-
General expenses	34	35 046 523	34 571 494	34 148 152
Loss on sale of Property, Plant and Equipment		9 455 798	9 416 501	-
TOTAL EXPENDITURE		554 956 857	551 451 368	548 000 654
NET SURPLUS / (DEFICIT) FOR THE YEAR		23 663 824	26 737 936	(15 626 132)

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Statement of Changes in Net Assets for the Year Ended 30 June 2015

	Revaluation Reserve	Accumulated Surplus / (Deficit)	Total
	R	R	R
2014			
Balance at 1 July 2013	-	1 503 189 702	1 503 189 702
Surplus / (Deficit) for the Year - refer to note 36.11	-	48 022 866	48 022 866
Restated Balance	-	1 551 212 568	1 551 212 568
Surplus / (Deficit) for the Year - refer to note 36.12	-	(15 626 132)	(15 626 132)
Restated Balance 30 June 2014	-	1 535 586 436	1 535 586 436
Other Transfers	-	-	-
Surplus / (Deficit) for the Year	-	23 663 823	23 663 823
Balance at 30 June 2015	-	1 559 250 259	1 559 250 259

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Cash Flow Statement for the Year Ended 30 June 2015

	Note	2015 R	2014 R
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts			
Ratepayers and other		391 982 750	371 869 015
Government - operating	22	67 146 929	69 412 773
Government - capital	22	52 204 709	52 910 396
Interest		3 182 166	3 161 327
Payments			
Suppliers and employees		(396 892 911)	(356 584 756)
Transfers and Grants	32	(27 047 051)	(27 209 537)
Finance charges	29	(15 765 268)	(20 542 401)
Net Cash flow from operating activities		74 811 323	93 016 818
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of Property, Plant and Equipment		(71 767 795)	(96 749 435)
(Loss) / Proceeds on Disposal of Property, Plant and Equipment		(9 455 798)	3 044 454
Purchase of Intangible assets		(83 401)	-
Disposal of Investment Property		18 472 158	-
Disposal of PPE		5 284 635	338 407
Decrease / (Increase) in Call Investment Deposits		668 913	(34 199)
Decrease / (Increase) in Non-Current Receivables		4 890	6 762
Net Cash From Investing Activities		(56 876 399)	(93 394 011)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Loans Repaid		(22 598 443)	(12 355 283)
New Loans Raised		-	8 540 164
Increase / (Decrease) in Consumer Deposits		887 657	708 179
Net Cash From Financing Activities		(21 710 786)	(3 106 940)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS FROM ACTIVITIES		(3 775 861)	(3 484 133)
Cash and cash equivalents at the beginning of the year		(1 121 430)	2 362 703
Cash and cash equivalents at the end of the year	35.2	(4 897 291)	(1 121 430)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(3 775 861)	(3 484 133)

//KHARA HAIS MUNICIPALITY



**//KHARA HAIS MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2015**

	2015 Original Approved Budget R	2015 Adjustments R	2015 Final Approved Budget R	2015 Final Year-End Budget R	2015 Actuals R	2015 Variance R	Explanations for material variances
ASSETS							
Current Assets							
Cash	5 660	6 994 340	7 000 000	7 000 000	1 441 674	(5 558 326)	Investments were transferred to Cash and Cash Equivalents
Call investment deposits	13 000 000	(12 060 000)	940 000	940 000	0	(940 000)	Investments were used to refund unspent capital grants of previous years
Consumer debtors	31 375 441	13 000 000	44 375 441	44 375 441	59 781 442	15 406 001	Trouble experience with implementation of Credit Control Policy
Other debtors	7 000 000	-	7 000 000	7 000 000	3 125 610	(3 874 390)	Decrease in unpaid conditional grants
Current portion of long-term receivables	6 263	-	6 263	6 263	4 910	(1 353)	Amount as per repayment schedule
Inventory	6 500 000	-	6 500 000	6 500 000	5 602 115	(897 885)	Better control regarding inventory by reducing redundant stock
Total Current Assets	57 887 363	7 934 340	65 821 703	65 821 703	69 955 750	4 134 047	
Non Current Assets							
Long-term receivables	16 173	-	16 173	16 173	18 398	2 225	As per repayment schedule
Investment property	223 111 950	(12 139 042)	210 972 908	210 972 908	217 637 918	6 665 010	Fair Value Adjustment for the year
Property, plant and equipment	1 560 931 955	(14 963 830)	1 545 968 124	1 545 968 124	1 620 315 846	74 347 722	All capital projects budgeted for not completed
Intangible	1 255 222	(948 273)	306 949	306 949	3 372 322	3 065 373	Difference in amortisation period
Total Non Current Assets	1 785 315 300	(28 051 145)	1 757 264 155	1 757 264 155	1 841 344 485	84 080 330	
TOTAL ASSETS	1 843 202 664	(20 116 805)	1 823 085 858	1 823 085 858	1 911 300 235	88 214 377	
LIABILITIES							
Current Liabilities							
Bank overdraft	10 000 000	(8 000 000)	2 000 000	2 000 000	6 338 965	4 338 965	Own funds were used to refund unspent capital grants of previous years
Borrowing	18 159 875	(1 730 137)	16 429 738	16 429 738	17 060 136	630 398	As per repayment schedule
Consumer deposits	10 500 000	-	10 500 000	10 500 000	8 999 947	(1 500 053)	More pre-paid meters and less conventional meters
Trade and other payables	124 217 453	27 590 673	151 808 127	151 808 127	126 619 576	(25 188 551)	Improved cash flow management
Provisions	9 000 000	-	9 000 000	9 000 000	4 630 869	(4 369 131)	Less employees than previous financial year
Total Current Liabilities	171 877 329	17 860 536	189 737 865	189 737 865	163 649 492	(26 088 372)	
Non Current Liabilities							
Borrowing	201 486 388	(95 929 315)	105 557 073	105 557 073	106 009 059	451 986	Additional interest on late payments
Provisions	99 498 631	(3 635 458)	95 863 173	95 863 173	82 391 425	(13 471 748)	Less employees than previous financial year
Total Non Current Liabilities	300 985 020	(99 564 774)	201 420 246	201 420 246	188 400 484	(13 019 762)	
TOTAL LIABILITIES	472 862 348	(81 704 237)	391 158 111	391 158 111	352 049 976	(39 108 135)	
NET ASSETS	1 370 340 315	61 587 432	1 431 927 748	1 431 927 748	1 559 250 259	127 322 511	
COMMUNITY WEALTH / EQUITY							
Accumulated Surplus	1 370 340 315	61 587 433	1 431 927 748	1 431 927 748	1 559 250 259	127 322 511	
TOTAL COMMUNITY WEALTH / EQUITY	1 370 340 315	61 587 433	1 431 927 748	1 431 927 748	1 559 250 259	127 322 511	

//KHARA HAIS MUNICIPALITY

//KHARA HAIS MUNICIPALITY STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015



	2015 ACTUAL R	2015 FINAL BUDGET R	2015 VARIANCE R	EXPLANATIONS - MATERIAL VARIANCES
REVENUE BY SOURCE				
Property rates	69 699 626	69 737 887	(38 261)	
Service charges	327 927 612	316 901 642	11 025 970	The Kalahari Mall, Dr Harry Surtie Hospital and new housing developments
Rental of facilities and equipment	8 599 114	8 672 387	(73 273)	
Interest earned - external investments	705 541	680 000	25 541	Increases in repo rates
Interest earned - outstanding receivables	2 476 625	2 500 000	(23 375)	
Fines	3 090 069	494 852	2 595 217	Change in GRAP for the accounting of traffic fines
Licences and permits	1 664 742	1 616 459	48 283	
Agency services	3 706 379	3 542 641	163 738	
Transfers recognised - operating	67 146 929	65 799 826	1 347 103	Projects not completed - unspent grants
Other revenue	41 399 335	12 386 577	29 012 758	Increase in non-cash items: Fair Value
Gains on disposal of PPE	-	17 000 000	(17 000 000)	Adjustment and Actuarial Gain
				Sale of erven not materialised
Total Operating Revenue	526 415 972	499 332 271	27 083 701	
EXPENDITURE BY TYPE				
Employee related costs	196 437 510	199 726 072	(3 288 562)	Better controls implemented for overtime
Remuneration of councillors	7 516 034	7 481 962	34 072	
Debt impairment	7 597 071	2 000 000	5 597 071	Increase in outstanding debtors and traffic fines written off
Depreciation and asset impairment	75 367 344	110 733 857	(35 366 513)	Changes in RUL resulted in less depreciation
Finance Charges	15 765 268	16 825 000	(1 059 732)	Penalty interest on late payments due to cash flow problems
Bulk purchases	149 832 916	150 166 696	(333 780)	
Contracted services	9 137 414	10 606 099	(1 468 686)	Cost containment measures implemented
Transfers and grants	27 047 051	21 624 000	5 423 051	Increase in demand for indigent subsidy
Other expenditure	56 800 452	67 319 907	(10 519 455)	Cost containment measures implemented
Loss on disposal of PPE	9 455 798	-	9 455 798	Assets written off and losses on disposal of erven
Total Operating Expenditure	554 956 857	586 483 593	(31 526 736)	
Operating (Deficit) for the year	(28 540 885)	(87 151 322)	58 610 437	
Transfers Recognised - Capital	52 204 709	42 915 772	9 288 937	Capital projects not completed
(DEFICIT) FOR THE YEAR	23 663 824	(44 235 550)	67 899 374	

//KHARA HAIS MUNICIPALITY



//KHARA HAIS MUNICIPALITY **STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS** **STATEMENT OF FINANCIAL PERFORMANCE** **FOR THE YEAR ENDED 30 JUNE 2015**

	2015 Original Approved Budget R	2015 Adjustments R	2015 Final Approved Budget R	2015 Final Virements R	2015 Final Year-End Budget R
REVENUE BY SOURCE					
Property rates	65 415 543	4 322 344	69 737 887	-	69 737 887
Service charges	324 633 666	(7 732 024)	316 901 642	-	316 901 642
Rental of facilities and equipment	8 004 982	667 405	8 672 387	-	8 672 387
Interest earned - external investments	1 230 674	(550 674)	680 000	-	680 000
Interest earned - outstanding receivables	1 977 704	522 296	2 500 000	-	2 500 000
Fines	1 632 411	(1 137 559)	494 852	-	494 852
Licences and permits	1 668 581	(52 122)	1 616 459	-	1 616 459
Agency services	3 497 000	45 641	3 542 641	-	3 542 641
Transfers recognised - operating	64 572 070	1 227 756	65 799 826	-	65 799 826
Other revenue	9 338 040	3 048 537	12 386 577	-	12 386 577
Gains on disposal of PPE	15 200 000	1 800 000	17 000 000	-	17 000 000
Total Operating Revenue	497 170 671	2 161 600	499 332 271	-	499 332 271
EXPENDITURE BY TYPE					
Employee related costs	211 756 719	(12 030 408)	199 726 311	(239)	199 726 072
Remuneration of councillors	7 981 288	(499 326)	7 481 962	(0)	7 481 962
Debt impairment	2 000 000	-	2 000 000	-	2 000 000
Depreciation and asset impairment	110 733 857	-	110 733 857	-	110 733 857
Finance Charges	16 658 043	116 957	16 775 000	50 000	16 825 000
Bulk purchases	150 166 696	-	150 166 696	(0)	150 166 696
Contracted services	14 773 304	(4 285 206)	10 488 098	118 001	10 606 099
Transfers and grants	25 117 000	(3 493 000)	21 624 000	-	21 624 000
Other expenditure	76 977 325	(9 489 656)	67 487 669	(167 762)	67 319 907
Loss on disposal of PPE	-	-	-	-	-
Total Operating Expenditure	616 164 232	(29 680 639)	586 483 593	-	586 483 593
Operating (Deficit) for the year	(118 993 561)	31 842 239	(87 151 322)	-	(87 151 322)
Transfers Recognised - Capital	22 508 246	20 407 526	42 915 772	-	42 915 772
(DEFICIT) FOR THE YEAR	(96 485 315)	52 249 765	(44 235 550)	-	(44 235 550)

//KHARA HAIS MUNICIPALITY

**//KHARA HAIS MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2015**



	2015 Original Approved Budget R	2015 Adjustments R	2015 Final Approved Budget R	2015 Final Year-End Budget R	2015 Actuals R	2015 Variance R	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES							
Receipts							
Ratepayers and other	416 940 223	(2 411 634)	414 528 589	414 528 589	391 982 750	(22 545 839)	Trouble experience with implementation of Credit Control Policy
Government - operating	64 572 070	1 227 756	65 799 826	65 799 826	67 146 929	1 347 103	Additional COGHSTA funding received
Government - capital	22 508 246	20 407 526	42 915 772	42 915 772	52 204 709	9 288 937	Capital projects not completed
Interest	3 208 378	(28 378)	3 180 000	3 180 000	3 182 166	2 166	Increase in debtors resulted in additional interest levied
Payments							
Suppliers and employees	(444 376 990)	41 578 698	(402 798 292)	(402 798 292)	(396 892 911)	5 905 381	Cost containment measures implemented
Finance charges	(16 658 043)	(116 957)	(16 775 000)	(16 775 000)	(15 765 268)	1 009 732	Penalty interest on late payments due to cash flow problems
Transfers and grants	(25 117 000)	3 493 000	(21 624 000)	(21 624 000)	(27 047 051)	(5 423 051)	Increase in demand for indigent subsidy
NET CASH FROM / (USED) OPERATING ACTIVITIES	21 076 884	64 150 011	85 226 895	85 226 895	74 811 323	(10 415 572)	
CASH FLOW FROM INVESTING ACTIVITIES							
Receipts							
Proceeds on disposal of PPE	15 200 000	1 800 000	17 000 000	17 000 000	(9 455 798)	(26 455 798)	Sale of erven not materialised
Decrease / (Increase) in non-current debtors	-	-	-	-	-	-	
Decrease / (Increase) in non-current receivables	6 263	(500)	5 762	5 762	4 890	(872)	
Decrease / (Increase) in non-current investments	-	668 913	668 913	668 913	668 913	(0)	Removal of trust accounts from AFS
Payments							
Capital assets	(43 678 958)	(30 868 064)	(74 547 022)	(74 547 022)	(48 094 403)	26 452 619	Capital projects not completed
NET CASH FROM / (USED) INVESTING ACTIVITIES	(28 472 695)	(28 399 652)	(56 872 347)	(56 872 347)	(56 876 399)	(4 051)	
CASH FLOW FROM FINANCING ACTIVITIES							
Receipts							
Borrowing long term / financing	20 170 712	(20 170 712)	-	-	-	-	No new loans raised
Increase (decrease) in consumer deposits	3 000 000	(612 290)	2 387 710	2 387 710	887 657	(1 500 053)	More pre-paid meters and less conventional meters
Payments							
Repayment of borrowing	(14 774 900)	(8 905 927)	(23 680 827)	(23 680 827)	(22 598 442)	1 082 385	As per repayment schedule
NET CASH FROM / (USED) FINANCING ACTIVITIES	8 395 812	(29 688 929)	(21 293 117)	(21 293 117)	(21 710 786)	(417 669)	
NET INCREASE / (DECREASE) IN CASH HELD	1 000 000	6 061 430	7 061 430	7 061 430	(3 775 861)	(10 837 292)	
Cash / cash equivalents at the year begin:	2 005 660	-	(1 121 430)	(1 121 430)	(1 121 430)	-	
Cash / cash equivalents at the year end:	3 005 660	-	5 940 000	5 940 000	(4 897 291)	(10 837 291)	

//KHARA HAIS MUNICIPALITY

Accounting Policies for the Annual Financial Statements For the Year Ended 30 June 2015

1 BASIS OF PRESENTATION

- 1.1 The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.
- 1.2 These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).
- 1.3 Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised - February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.
- 1.4 The Municipality resolved to early adopt the following GRAP Standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 17 (Revised - May 2015)	Property, Plant & Equipment (Adoption of indicator bases approach to assess the useful lives of assets on a regular basis)	1 April 2016

- 1.5 A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.
- 1.6 Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.
- 1.7 The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.
- 1.8 Original Standards and Interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 18 (Revised - Feb 2011)	Segment Reporting The objective of this Standard is to establish principles for reporting financial information by segments. Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.	1 April 2015
GRAP 20 (Original - Jun 2011)	Related Party Disclosure The objective of this interpretation of the Standards is to prescribe which persons qualify as related parties and which information should be disclosed in the AFS. No significant impact is expected as the Municipality already implemented controls to ensure that related party disclosures are met.	Unknown
GRAP 32 (Original - Aug 2013)	Service Concession Arrangements: Grantor The objective of this Standard is to prescribe the accounting for services concession arrangements by the grantor, a public sector entity. No significant impact is expected as the Municipality does not have any concessions at this stage.	Unknown
GRAP 105 (Original - Nov 2010)	Transfer of Functions Between Entities Under Common Control The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. No significant impact is expected as the Municipality does not participate in such business transactions.	1 April 2015

GRAP 106 (Original - Nov 2010)	Transfer of Functions Between Entities Not Under Common Control The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities not under common control. No significant impact is expected as the Municipality does not participate in such business transactions.	1 April 2015
GRAP 107 (Original - Nov 2010)	Mergers The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. There is still uncertainty as to whether Mier Municipality will be merged with //Khara Hais Municipality. The Demarcation Board is still busy with public participation processes.	1 April 2015
GRAP 108 (Original - Sep 2013)	Statutory Receivables The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown
IGRAP 11	Consolidation - Special Purpose Entities (SPE) The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE. No significant impact is expected as the Municipality does not have any SPE's at this stage.	1 April 2015

IGRAP 12	Jointly Controlled Entities Non-Monetary Contributions The objective of this interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE) No significant impact is expected as the Municipality does not have any JCE's at this stage.	1 April 2015
IGRAP 17	Service Concession Arrangements where a grantor controls a significant residual interest in an Asset The objective of this Interpretation of the Standard is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. No significant impact is expected as the Municipality does not have any Concession Arrangement at this stage.	Unknown

1.9 Standards, amendments to Standards and Interpretations issued in 2014/2015 but not yet effective

The following GRAP standards have been issued in 2014/2015 but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 1 (Revised - Nov 2013)	Presentation of Financial Statements	1 April 2015
GRAP 2 (Revised - Nov 2013)	Cash Flow Statements	1 April 2015
GRAP 3 (Revised - Nov 2013)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2015
GRAP 7 (Revised - Nov 2013)	Investments in Associates	1 April 2015
GRAP 10 (Revised - Nov 2013)	Financial Reporting in Hyperinflationary Economies	1 April 2015
GRAP 11 (Revised - Nov 2013)	Construction Contracts	1 April 2015
GRAP 13 (Revised - Nov 2013)	Leases	1 April 2015
GRAP 17 (Revised - May 2015)	Property, Plant & Equipment	1 April 2016
GRAP 19 (Revised - Nov 2013)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2015
GRAP 21 (Revised - Nov 2013)	Impairment of Non-cash generating assets	1 April 2015
GRAP 23 (Revised - Nov 2013)	Revenue from Non-exchange transactions	1 April 2015
GRAP 24 (Revised - Nov 2013)	Presentation of Budget information in Financial Statements	1 April 2015
GRAP 25 (Revised - Nov 2013)	Employee Benefits	1 April 2015
GRAP 26 (Revised - Nov 2013)	Impairment of Cash-generating Assets	1 April 2015
GRAP 31 (Revised - Nov 2013)	Intangibles Assets	1 April 2015
GRAP 100 (Revised - Nov 2013)	Discontinued Operations	1 April 2015
GRAP 103 (Revised - Nov 2013)	Heritage Assets	1 April 2015
GRAP 104 (Revised - Nov 2013)	Financial Instruments	1 April 2015

GRAP 6 (Revised - Nov 2010)	Consolidated and Separate Financial Statements	1 April 2015
GRAP 8 (Revised - Nov 2010)	Interest in Joint Ventures	1 April 2015
IGRAP 11	Consolidation - Special Purpose Entities	1 April 2015
IGRAP 12	Jointly Controlled Entities - Non-monetary contributions by Ventures	1 April 2015

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

2 USE OF ESTIMATES AND JUDGEMENTS

- 2.1 The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice (GRAP) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and, actual results may differ from these estimates.
- 2.2 Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period which the estimates are revised and in any future affected period.

3 PRESENTATION CURRENCY

- 3.1 Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

4 GOING CONCERN ASSUMPTION

- 4.1 The Municipality is deemed a going concern, following an assessment made by management during the compilation of the annual financial statements.

5 RESERVES

5.1 Revaluation Reserve (Non-Distributable Reserve)

- 5.1.1 The accounting for the Revaluation Reserve is done in accordance with the requirements of GRAP standards.
- 5.1.2 All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.
- 5.1.3 All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Initial Recognition

- 6.1.1 Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.
- 6.1.2 The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.
- 6.1.3 Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.
- 6.1.4 When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
- 6.1.5 Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.
- 6.1.6 The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.
- 6.1.7 Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

6.2 Subsequent Measurement

- 6.2.1 Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.
- 6.2.2 Subsequently all property plant and equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.
- 6.2.3 Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

6.3 Depreciation

- 6.3.1 Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Asset Group	Years	Asset Group	Years
Community Assets - Cemeteries	15 - 50	Infrastructural assets	15 - 30
Infrastructure - Railway	30 - 50	Other vehicles	4 - 10
Community Assets - Recreational Facilities	10 - 50	Office equipment	3 - 15
Community Assets - Sporting Facilities	15 - 60	Furniture and fittings	3 - 10
Heritage Assets - Buildings	Indefinite	Watercraft	15 - 20
Heritage Assets - Land	Indefinite	Bins and containers	10 - 15
Infrastructure - Electricity	15 - 55	Specialised plant and equipment	10 - 15
Infrastructure - Roads, Pavements, Bridges and Storm Water	15 - 100	Other items of plant and equipment	2 - 10
Infrastructure - Sanitation	3 - 50	Security	3 - 5
Infrastructure - Sewerage	10 - 80	Buildings	10 - 50
Infrastructure - Water	10 - 75	Specialist vehicles	10 - 15
Land and Buildings - Buildings	10 - 60	Infrastructure - Communication	30 - 50
Land and Buildings - Land	Indefinite	Landfill sites	1 - 50

- 6.3.2 Depreciation only commences when the asset is available for use, unless stated otherwise.
- 6.3.3 At each reporting date an assessment is done to determine whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If an indication exists, the municipality shall revise the expected useful life and / or residual value accordingly.

6.4 Incomplete Construction Work

- 6.4.1 Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

6.5 Finance Leases

- 6.5.1 Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as property, plant and equipment controlled by the municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

6.6 Land

- 6.6.1 Land is not depreciated as it is deemed to have an indefinite useful life.

6.7 Derecognition of Property, Plant and Equipment

- 6.7.1 The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.
- 6.7.2 The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.
- 6.7.3 Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

7 INTANGIBLE ASSETS

7.1 Initial Recognition

- 7.1.1 Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.
- 7.1.2 Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21.
- 7.1.3 Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

7.2 Subsequent Measurement, Amortisation and Impairment

- 7.2.1 After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.
- 7.2.3 After initial recognition, intangible assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the intangible asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same intangible asset previously recognised in surplus or deficit.
- 7.2.4 Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.
- 7.2.5 In terms of GRAP 31 intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test.
- 7.2.6 Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

- 7.2.7 The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	20

7.3 Derecognition

- 7.3.1 Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

8 INVESTMENT PROPERTY

8.1 Initial Recognition

- 8.1.1 Investment property shall be recognised as an asset when, and only when:

- * it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- * cost or fair value of the investment property can be measured reliably.

- 8.1.2 At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost at date of completion.

- 8.1.3 Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

- 8.1.4 Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- 8.1.4.1 All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- 8.1.4.2 Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- 8.1.4.3 A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- 8.1.4.4 A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

- 8.1.5 The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:
- 8.1.5.1 Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
 - 8.1.5.2 Property being constructed or developed on behalf of third parties;
 - 8.1.5.3 Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
 - 8.1.5.4 Property that is being constructed or developed for future use as investment property;
 - 8.1.5.5 Property that is leased to another entity under a finance lease;
 - 8.1.5.6 Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
 - 8.1.5.7 Property held for strategic purposes or service delivery.

8.2 Subsequent Measurement - Fair Value Model

- 8.2.1 Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

8.3 Derecognition

- 8.3.1 Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

9 Heritage Assets

- 9.1 Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment. Subsequent to measurement, heritage assets are carried at cost less impairment losses.

10 IMPAIRMENT OF ASSETS

10.1 Impairment of Cash Generating Assets

- 10.1.1 The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.
- 10.1.2 If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.
- 10.1.3 The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.
- 10.1.4 The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.
- 10.1.5 If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.
- 10.1.6 An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.
- 10.1.7 An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- 10.1.8 An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- 10.1.8.1 To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.
- 10.1.9 A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.
- 10.1.10 The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.
- 10.1.11 A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

10.2 Impairment of Non-Cash Generating Assets

- 10.2.1 The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.
- 10.2.2 If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.
- 10.2.3 The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

- 10.2.4 If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.
- 10.2.5 An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.
- 10.2.6 An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- 10.2.6.1 To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.
- 10.2.7 The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.
- 10.2.8 The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.
- 10.2.9 A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

11 FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

11.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

11.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

11.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payment (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

11.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

11.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

11.3 De-recognition of Financial Instruments

11.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

* the rights to receive cash flows from the asset have expired; or
 * the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the assets, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

11.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

11.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

12 INVENTORIES

- 12.1 Inventories include consumables stores, maintenance materials, spare parts for plant, equipment and land or property held for sale. Cost is determined by the weighted average method and comprises all costs of purchases, cost of development, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are stated at the lower of cost or net realisable value.
- 12.2 When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when goods are distributed or related service is rendered.
- 12.3 The amount of any write-down of inventories and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any write-down of inventories, arising from an increase in the net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.
- 12.4 Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

13 REVENUE RECOGNITION

13.1 Revenue from Exchange Transactions

- 13.1.1 Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

- 13.1.2 Service charges relating to electricity and water are based on consumption and a basic charge as per Council Resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.
- 13.1.3 Revenue from the sale of pre-paid electricity and pre-paid water sales are recognised at point of sale and not when prepaid electricity is consumed.
- 13.1.4 Service charges from sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property as set out in the approved Tariff List.
- 13.1.5 Interest and rentals are recognised on a time proportion basis.
- 13.1.6 Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.
- 13.1.7 Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.
- 13.1.8 Revenue from the sale of goods is recognised when the risk is passed to the consumer.
- 13.1.9 Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.
- 13.2 Revenue from Non-Exchange Transactions
- 13.2.1 Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.
- 13.2.2 Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when fines are processed on the system. A debtor is created for all unpaid fines on year-end and recoverability test is performed to calculate any impairments against the debtor.
- 13.2.3 Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.
- 13.2.4 Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.
- 13.2.5 Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.
- 13.2.6 All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of 36 months. This assessment is performed annually at 30 June. The Municipality keep record of these unclaimed deposits for three years in the event that a party should submit a claim.

14 CONDITIONAL GRANTS AND RECEIPTS

14.1 Unspent Conditional Government Grants and Receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

The liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- * Unspent conditional grants are recognised as a liability when the grant is received.
- * When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- * The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- * Interest earned on the investment is treated accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

14.2 Unpaid Conditional Government Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivable:

- * Unpaid conditional grants are recognised as an asset when the grant is receivable.

14.3 Unspent Public Contributions

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- * Unspent public contributions are recognised as a liability when the grant is received.
- * When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- * The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- * Interest earned on the investment is treated accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

15 PROVISIONS

15.1 Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

15.2 The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

15.3 Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring the provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

15.4 A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

15.4.1 The Municipality has a detailed formal plan for the restructuring identifying at least:

- * the business or part of business concerned;
- * the principal locations affected;
- * the location, function and approximate number of employees who will be compensated for termination of services
- * the expenditures that will be undertaken; and
- * when the plan will be implemented.

- 15.4.2 The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.
- 15.5 The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.
- 15.6 If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be derecognised.

16 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during the period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

17 ACCUMULATED SURPLUS

The accumulated surplus of the municipality is affected by only the net profit or loss during the financial year and is maintained in terms of the relevant accounting policies and GRAP 3.

18 UNAUTHORISED EXPENDITURE

- 18.1 Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19 IRREGULAR EXPENDITURE

- 19.1 Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20 FRUITLESS AND WASTEFUL EXPENDITURE

- 20.1 Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21 COMPARATIVE INFORMATION

21.1 Budget comparatives:

21.1.1 The presentation of budget information was prepared in accordance with the requirements of GRAP 24 as well as the formats contained in the Municipal Budget Reporting Regulations. The presentation of budget information is in line with the basis of accounting per the GRAP Framework.

21.2 Prior year comparatives:

21.2.1 When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

22 LEASES

22.1 The Municipality as Lessee

22.1.1 Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

22.1.2 Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

22.1.3 Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-line expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative on the time pattern of the lessee's benefit from the use of the leased asset.

22.2 The Municipality as Lessor

22.2.1 Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rebate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

22.2.2 Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-line revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

23 EMPLOYEE BENEFITS

23.1 Post Retirement Medical Obligations

- 23.1.1 The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. After retirement Council pays 70% as contribution and the remaining 30% are paid by the retired members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 - Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.
- 23.1.2 These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling the employee to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.
- 23.1.3 Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

23.2 Long Service Awards

- 23.2.1 Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.
- 23.2.2 Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

23.3 Provision for Staff Leave

- 23.3.1 Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.
- 23.3.2 Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.
- 23.3.3 Accumulated leave is vesting.

23.4 Performance Bonuses

- 23.4.1 A provision, in respect of a liability relating to the anticipated costs of performance bonuses payable to Section 56 & 57 employees, is recognised as it accrue to Section 56 & 57 employees.

23.5 Pension and retirement fund obligations

- 23.5.1 The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

24 INTERNAL FINANCING OF PROPERTY, PLANT AND EQUIPMENT

- 24.1 In order to finance the provision of infrastructure and other items of property, plant and equipment, amounts are provided from cash surpluses generated and transferred to the Capital Replacement Reserve (CRR).

25 CONTINGENT LIABILITIES

- 25.1 A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured within sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

26 CONTINGENT ASSET

- 26.1 A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent asset could also be a present asset that arises from past events, but is not recognised because it is not probable that an inflow of resources embodying economic benefits will be required to the asset or the amount of the asset cannot be measured within sufficient reliability.

Management judgement is required when recognising and measuring contingent assets.

27 COMMITMENTS

- 27.1 Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

28 RELATED PARTIES

- 28.1 Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel of the municipality are those persons, directly and indirectly, having authority and responsibility for planning, directing and controlling the activities of the Municipality. Key management is defined as the Municipal Manager, Chief Financial Officer and all other Section 56 & 57 managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.
- 28.2 Any services rendered to and payments made to key management personnel and councillors other than their monthly remuneration will be disclosed appropriate.

29 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

29.1 Post retirement medical obligations and Long service awards

- 29.1.1 The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in the note 11 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

29.2 Impairment of Receivables

- 29.2.1 The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due. This was performed per identifiable categories across all debtors.

29.3 Property, Plant and Equipment

- 29.3.1 The useful lives of property, plant and equipment are based on a matter of judgement based on the experience of the entity with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at the time.

- 29.3.2 Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

* The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.

* Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.

* The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

* Whether there is an indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any indication exists, the municipality shall revise the expected useful life and / or residual value accordingly.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

* cost of item with a similar nature currently in the Municipality's asset register;

* cost of items with similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other Municipality's asset register is considered to be accurate;

* cost as supplied by suppliers.

For deemed cost applied to land and building as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of assets.

29.4 Investment Property

- 29.4.1 The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

29.4.2 Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

* The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.

* The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

29.5 Provision and Contingent Liabilities

29.5.1 Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

29.6 Revenue Recognition

29.6.1 Accounting Policy 13.1 on Revenue from Exchange Transactions and Accounting Policy 13.2 on Revenue from Non-Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

29.6.2 In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed.

29.6.3 Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when fines are processed on the system. A debtor is created for all unpaid fines on year-end and recoverability test is performed to calculate any impairments against the debtor.

29.6.4 The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

29.7 Provision for Landfill Sites

29.7.1 The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligation relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

29.7.2 Management referred to the following when making assumptions regarding provisions:

* Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

* Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

29.8 Provision for Staff Leave

- 29.8.1 Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

29.9 Provision for Performance Bonuses

- 29.9.1 The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

29.10 Componentisation of Infrastructure Assets

- 29.10.1 All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to date of initially adopting the standard of GRAP.

30 DISTRIBUTION LOSSES

- 30.1 Electricity distribution losses comprises of technical and non-technical losses. Technical losses in electricity are experience due to natural resistivity of the conductors and the energisation of transformers. Non-technical losses are losses due to theft, faulty meters and billing errors. Calculation of the technical losses of the municipal network which consists of urban and rural networks, are calculated applying the methodology in the NRS 080:2004. Non-technical losses is calculated by subtracting technical losses from the total losses.

- 30.2 Water distribution losses comprises of technical and non-technical losses. Technical losses are experience during the purification process of the water. Non-technical losses are losses due to theft, faulty meters, pipe bursts and billing errors. Non-technical losses is calculated by subtracting technical losses from the total losses.

31 VALUE ADDED TAX

- 31.1 Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.
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//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

1.1 PROPERTY, PLANT AND EQUIPMENT

30 June 2015	Land and Buildings R	Infrastructure R	Community R	Other R	Total R
Reconciliation of Carrying Value					
Carrying Values at 1 July 2014	155 261 069	1 322 852 495	67 452 540	79 095 291	1 624 661 396
Cost	189 917 055	1 685 761 071	87 203 486	89 610 326	2 052 491 938
Accumulated Depreciation	(34 655 986)	(362 908 576)	(19 750 946)	(10 515 035)	(427 830 542)
Acquisitions	31 384	25 556 656	6 209 673	1 198 429	32 996 142
Capital Under Construction	-	38 473 274	298 379	-	38 771 653
Depreciation	(5 456 303)	(60 357 544)	(3 344 652)	(2 857 223)	(72 015 721)
Carrying Values of disposals	(118 090)	(5 011 155)	(99 277)	(40 718)	(5 269 240)
Cost	(246 348)	(8 356 126)	(217 353)	(3 634 275)	(12 454 102)
Accumulated Depreciation	128 259	3 344 971	118 077	3 593 556	7 184 862
Impairment loss	-	-	(128 011)	(2 993 977)	(3 121 989)
Carrying Values of donations	-	-	-	(15 395)	(15 395)
Cost	-	-	-	(123 451)	(123 451)
Accumulated Depreciation	-	-	-	108 056	108 056
Carrying Values at 30 June 2015	149 718 060	1 321 513 727	70 388 653	74 386 406	1 616 006 846
Cost	189 702 090	1 741 434 876	93 494 185	87 051 029	2 111 682 180
Accumulated Depreciation	(39 984 030)	(419 921 149)	(23 105 532)	(12 664 623)	(495 675 334)

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

1.1 PROPERTY, PLANT AND EQUIPMENT

30 June 2014	Land and Buildings R	Infrastructure R	Community	Other R	Total R
Reconciliation of Carrying Value					
Carrying Values at 1 July 2013	158 710 994	1 313 419 603	62 284 390	78 068 488	1 612 483 475
Cost	187 050 959	1 606 524 790	77 289 473	85 895 371	1 956 760 593
Balance Previously Reported	187 093 393	1 606 524 790	77 440 884	76 150 295	1 947 209 361
Correction of Error - refer to note 36.7	(42 433)	-	(125 411)	9 719 076	9 551 232
Transferred	-	-	(26 000)	26 000	-
Accumulated Depreciation	(28 339 966)	(293 105 187)	(15 005 082)	(7 826 883)	(344 277 119)
Balance Previously Reported	(28 339 966)	(293 105 187)	(15 005 082)	(34 002 696)	(370 452 931)
Correction of Error - refer to note 36.7	-	-	-	26 175 813	26 175 813
Acquisitions	1 195 606	6 582 732	750 535	4 713 285	13 242 158
Balance Previously Reported	1 195 606	4 036 470	750 535	4 597 411	10 580 021
Correction of Error - refer to note 36.7	-	2 515 426	-	17 128	2 532 554
Transferred from/to Under Construction	-	12 293	-	117 290	129 583
Transferred between Additions	-	18 543	-	(18 543)	-
Capital Under Construction	1 670 490	72 673 309	9 163 479	-	83 507 277
Balance Previously Reported	1 940 490	72 819 249	9 627 321	-	84 387 059
Correction of Error - refer to note 36.7	(270 000)	(133 647)	(411 880)	-	(815 527)
Transferred from/to Additions	-	(12 293)	(51 962)	-	(64 255)
Depreciation	(5 227 682)	(60 746 103)	(3 222 773)	(3 327 464)	(72 524 022)
Balance Previously Reported	(5 211 688)	(60 252 156)	(3 222 773)	(13 139 229)	(81 825 847)
Correction of Error - refer to note 36.7	(15 993)	(493 947)	-	9 811 766	9 301 826

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

1.1 PROPERTY, PLANT AND EQUIPMENT

Carrying Values of disposals	-	(13 173)	-	(325 234)	(338 407)
Cost	-	(19 760)	-	(998 331)	(1 018 090)
Balance Previously Reported	-	(19 760)	-	(932 323)	(952 082)
Correction of Error - refer to note 36.7	-	-	-	(66 008)	(66 008)
Accumulated Depreciation	-	6 587	-	673 096	679 683
Balance Previously Reported	-	6 587	-	638 872	645 459
Correction of Error - refer to note 36.7	-	-	-	34 224	34 224
Impairment loss	(1 088 338)	(9 063 873)	(1 523 090)	(33 784)	(11 709 085)
Carrying Values at 30 June 2014	155 261 069	1 322 852 495	67 452 540	79 095 291	1 624 661 396
Cost	189 917 055	1 685 761 071	87 203 486	89 610 326	2 052 491 938
Accumulated Depreciation	(34 655 986)	(362 908 576)	(19 750 946)	(10 515 035)	(427 830 542)

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the Municipality.

Capital Under Construction of R 95 383 088 (2014: R 38 135 835) is included in the opening balance of Property, Plant and Equipment. These capital will be included as additions in the asset register when the projects are completed.

The Municipality did not pledge any of its assets as security.

Impairment Losses on Property, Plant and Equipment to the amount of R3 126 948 (2014: R 11 709 085) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in note 27

The amount disclosed for impairment losses on Property, Plant and Equipment is in respect of impairment losses caused by variance accidents and damages that occurred during the year. Where accidents were applicable cost was recovered either by means of insurance claims or from the accused.

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
1.2	INTANGIBLE ASSETS		
	Carrying value as at 1 July	3 518 555	3 747 664
	Cost	4 582 191	4 582 191
	Balance Previously Reported		5 710 377
	Correction of Error - refer to note 36.5		(1 128 185)
	Accumulated amortisation and impairment losses	(1 063 636)	(834 527)
	Balance Previously Reported		(4 455 155)
	Correction of Error - refer to note 36.5		3 620 628
	Acquisitions	83 401	-
	Balance Previously Reported		30 000
	Correction of Error - refer to note 36.5		(30 000)
	Amortisation for the year	(229 634)	(229 109)
	Balance Previously Reported		(978 272)
	Correction of Error - refer to note 36.5		749 164
	Carrying value as at 30 June	3 372 322	3 518 555
	Cost	4 665 592	4 582 191
	Accumulated amortisation and impairment losses	(1 293 270)	(1 063 636)
	The amortisation expense has been included in the line item Depreciation and Amortisation in the statement of Financial Performance 27		
	All of the Municipality's Intangible Assets are held under freehold interest and no Intangible Assets had been pledged as security for any liabilities of the Municipality.		
	No restrictions apply to any of the Intangible Assets of the Municipality.		
	The Municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.		
	No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting		
1.3	INVESTMENT PROPERTY AT FAIR VALUE		
	Reconciliation of fair value		
	Balance as at 1 July	221 085 402	208 374 554
	Balance Previously Reported		197 429 696
	Correction of Error - refer to note 36.8		10 944 858
	Disposal	(18 472 158)	-
	Fair value adjustment	15 024 674	12 710 848
	Balance Previously Reported		12 043 212
	Correction of Error - refer to note 36.8		667 636
	Carrying value as at 30 June	217 637 918	221 085 402

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	All of the Municipality's Investment Property is held under freehold interest and no Investment Property had been pledged as security for any liabilities of the municipality. The effective date of the revaluations was 30 June 2015. Revaluations were performed by independent valuers, DDP Valuers, which are not connected to the entity and have recent experience in location and ategory of the investment property being valued. Properties were valued on the comparative sales method of valuation, based on the active market values in the area. The Fair Value of Investment Properties was determined by a qualified valuer based on current market prices. The current demand in property in Upington resulted in an increase in property prices. There are no contractual obligations on Investment Property. No impairment losses have been recognised on Investment Property of the Municipality at the reporting date.		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

1.4 HERITAGE ASSETS

30 June 2015	Cultural Land and Buildings	Historical Sites	National Monuments	Total
Reconciliation of Carrying Value	R	R	R	R
Carrying Values at 1 July 2014	4 273 000	26 000	10 000	4 309 000
Cost	4 273 000	26 000	10 000	4 309 000
Accumulated Depreciation	-	-	-	-
Carrying Values at 30 June 2015	4 273 000	26 000	10 000	4 309 000
Cost	4 273 000	26 000	10 000	4 309 000
Accumulated Depreciation	-	-	-	-

30 June 2014	Cultural Land and Buildings	Historical Sites	National Monuments	Total
Reconciliation of Carrying Value	R	R	R	R
Carrying Values at 1 July 2013	4 273 000	26 000	10 000	4 309 000
Cost	4 273 000	26 000	10 000	4 309 000
Balance Previously Reported	4 273 000	2	3	4 273 005
Correction of Error - refer to note 36.9	-	25 998	9 997	35 995
Accumulated Depreciation	-	-	-	-
Carrying Values at 30 June 2014	4 273 000	26 000	10 000	4 309 000
Cost	4 273 000	26 000	10 000	4 309 000
Accumulated Depreciation	-	-	-	-

All of the Municipality's Heritage Assets are held under freehold interest and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the Municipality.

The effective date of the revaluations was 1 July 2012. Cost was determined by independent valuers, Van Rensburg Auctions, which are not connected to the municipality and have recent experience in location and category of the heritage assets.

The heritage assets' values were determined directly by reference to resale value of the material of the asset or scrap metal.

The Municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
2	NON-CURRENT RECEIVABLES		
	Sundry Loans	23 308	28 198
	Less: Current portion transferred to current assets	(4 910)	(4 400)
	Total Non-Current Receivables	18 398	23 798
	<i>The Municipality does not hold deposits or any other security for its Long-Term Receivables.</i>		
	<i>These receivables are not regarded as loans as this was incorrect payments to employees which is recovered in terms of affordability and the Basic Conditions Act.</i>		
	<i>No Long-Term Receivables have been pledged as security for the Municipality's financial liabilities.</i>		

3	INVENTORY		
	Consumable Stores – at Cost	5 419 610	5 633 100
	Unsold water - at Cost	182 505	141 676
	Total Inventory	5 602 115	5 774 777
	<i>Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.</i>		
	<i>No inventories have been pledged as collateral for Liabilities of the Municipality.</i>		
	<i>An inventory loss to the amount of R 191 838.30 (2014 - R 82 917 surplus) have been accounted during the year under review.</i>		
	<i>Included in consumable stock, is slow moving stock (stock showing no movement for the last 365 days) amounting to R 1 320 778 (2014 - R 1 049 437).</i>		
	<i>The value and quantity of unsold water at year-end was calculated on a management estimate based on the % of the capacity of the water storage facilities and the cost per kl water purified during the financial year.</i>		

4	TRADE RECEIVABLES			
	As at 30 June 2015	Gross Balances	Provision for Bad Debts	Net Balance
	Trade receivables from Exchange Transactions	65 054 697	(12 747 969)	52 306 729
	Trade receivables from Non-Exchange Transactions	8 294 442	(819 729)	7 474 713
	Total Trade Receivables	73 349 139	(13 567 698)	59 781 442
	Trade receivables from Exchange Transactions	Gross Balances	Provision for Bad Debts	Net Balance
		R	R	R
	Consumer Debtors per Suburb			

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	Akademia	158 558	(10 083)
	Dakotaweg	807 016	(124 127)
	Blydeveld	356 031	(22 203)
	Commonage	3 491 369	(324 016)
	Dakotaweg	116 179	(31 159)
	Die Rand	2 259 120	(154 683)
	Florapark	360 920	(27 723)
	Gordonia Farming Areas	169 028	(27 302)
	Industrial Areas	3 473 669	(266 253)
	Kalksloot	390 740	(141 242)
	Kameelmond / Lemoendraai	244 289	(46 692)
	Karos	447 855	(373 547)
	Karos Farming Areas	72 340	(65 147)
	Keidebees	893 408	(72 116)
	Kenhardt Farming Areas	515 955	(51 708)
	Lambrechtsdrift	325 505	(314 725)
	Leerkrans	276 674	(197 398)
	Leseding	210	(6)
	Louisvale Dorp	860 126	(86 165)
	Louisvaleweg	1 539 930	(459 257)
	Middelpos	649 843	(39 343)
	Morning Glory	1 318 120	(333 874)
	Ntsekelelo	28	(28)
	Olyvenhoutsdrift Farming Areas	442 408	(31 438)
	Oosterville	918 087	(58 883)
	Other	5 040 850	(2 005 838)
	Paballelo	6 421 657	(2 757 958)
	Progress	3 056 651	(916 906)
	Raaswater	2 548 760	(2 364 479)
	Riverside	1 553 534	(119 907)
	Rosedale	3 267 194	(941 705)
	Sesbrugge / Klippunt	89 193	(5 798)
	Town Centre / Business Area	4 749 028	(338 644)
	Uppington Farming Areas	199 686	(14 001)
	Vaalkoppies Farming Areas	53 603	(23 614)
	Sub-Total	47 067 562	(12 747 969)
	Provision for income not yet billed	17 583 032	-
	Sub-Total	64 650 594	(12 747 969)
	Plus: Amounts received in advance	404 103	-
	Total	65 054 697	(12 747 969)

Trade receivables from Non-Exchange Transactions	Gross Balances	Provision for Bad Debts	Net Balance
As at 30 June 2015	R	R	R
Consumer Debtors per group			
Akademia	(681)	-	(681)
Dakotaweg	138 782	(12 185)	126 598
Blydeveld	114 241	(4 390)	109 851
Commonage	140 250	(15 354)	124 896
Dakotaweg	(88)	-	(88)

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R	
	Die Rand	587 840	(38 353)	549 487
	Florapark	93 129	(4 879)	88 251
	Gordonia Farming Areas	1 198 602	(150 834)	1 047 769
	Industrial Areas	390 086	(27 240)	362 846
	Kalksloot	9 390	(2 961)	6 429
	Kameelmond / Lemoendraai	68 356	(7 686)	60 669
	Karos	3 213	(1 004)	2 209
	Karos Farming Areas	253 618	(87 539)	166 079
	Keidebees	(1 217 673)	-	(1 217 673)
	Kenhardt Farming Areas	103 528	(13 201)	90 327
	Lambrechtsdrift	7 880	(7 371)	508
	Leerkrans	11 035	(2 619)	8 416
	Leseding	(200)	-	(200)
	Louisvale Dorp	27 317	(23 969)	3 348
	Louisvaleweg	5 088	(71)	5 018
	Middelpos	211 527	(8 976)	202 551
	Morning Glory	86 896	(10 985)	75 911
	Ntsekelelo	253	(252)	0
	Olyvenhoutsdrift Farming Areas	28 490	(782)	27 709
	Oosterville	312 796	(17 548)	295 248
	Other	495 873	(197 762)	298 110
	Paballelo	79 538	(8 108)	71 430
	Progress	82 009	(4 391)	77 618
	Raaswater	36 037	(29 068)	6 969
	Riverside	184 494	(6 006)	178 487
	Rosedale	133 480	(11 795)	121 685
	Sesbrugge / Klippunt	(4 286)	-	(4 286)
	Town Centre / Business Area	881 644	(47 235)	834 409
	Uppington Farming Areas	41 318	(3 021)	38 297
	Vaalkoppies Farming Areas	158 219	(74 145)	84 074
	Sub-Total	4 662 000	(819 729)	3 842 270
	Plus: Amounts received in advance	3 343 823	-	3 343 823
	Traffic Fines	288 619	-	288 619
	Total	8 294 442	(819 729)	7 474 713
		Gross	Provision for Bad	
	As at 30 June 2014	Balances	Debts	Net Balance
	Trade receivables from Exchange Transactions	53 687 947	(8 473 327)	45 214 620
	Trade receivables from Non-Exchange Transactions	6 031 369	(850 818)	5 180 551
	Total Trade Receivables	59 719 315	(9 324 145)	50 395 171
			Provision for Bad	
	Trade receivables from Exchange Transactions	Gross Balances	Debts	Net Balance
		R	R	R
	Consumer Debtors per group			
	Akademia	176 050	(11 817)	164 233
	Dakotaweg	1 139 956	(220 383)	919 573
	Blydeveld	360 157	(22 766)	337 391

Notes to the Financial Statements for the Year Ended 30 June 2015

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Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	Florapark	80 863	(5 579)
	Gordonia Farming Areas	479 695	(124 778)
	Industrial Areas	326 324	(19 692)
	Kalksloot	715	(184)
	Kameelmond / Lemoendraai	63 450	(9 068)
	Karos	(2 420)	-
	Karos Farming Areas	222 676	(115 021)
	Keidebees	358 927	(23 868)
	Kenhardt Farming Areas	144 247	(15 170)
	Lambrechtsdrift	2 155	(1 752)
	Leerkrans	7 379	(3 564)
	Leseding	-	-
	Louisvale Dorp	7 062	(686)
	Louisvaleweg	17 498	(5 821)
	Middelpos	278 430	(19 577)
	Morning Glory	76 362	(15 869)
	Ntsekelelo	60	-
	Olyvenhoutsdrift Farming Areas	89 868	(8 319)
	Oosterville	253 865	(15 248)
	Uppington	243 630	(140 916)
	Paballelo	111 484	(42 235)
	Progress	95 509	(21 539)
	Raaswater	(2 670)	-
	Riverside	193 429	(13 132)
	Rosedale	52 096	(11 507)
	Sesbrugge / Klippunt	688	(46)
	Town Centre / Business Area	839 511	(56 723)
	Uppington Farming Areas	41 406	(2 989)
	Vaalkoppies Farming Areas	153 909	(99 124)
	Sub-Total	5 009 779	(850 818)
	Amounts received in advance	912 109	-
	Balance Previously Reported	-	-
	Correction of Error - refer to note 36.10	912 109	-
	Traffic Fines	109 481	-
	Total	6 031 369	(850 818)
<i>The Municipality did not pledge any of its Receivables as security for borrowing purposes.</i>			
Ageing of Receivables from Exchange Transactions:			
<u>Electricity: Ageing</u>			
	Current (0 - 30 days)	10 241 596	8 983 974
	31 - 60 Days	129 752	91 357
	61 - 90 Days	65 773	61 621
	91 - 120 Days	48 946	61 556
	+ 120 Days	1 038 985	1 481 928
		11 525 052	10 680 436
<u>Water: Ageing</u>			

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	Current (0 - 30 days)	2 510 209	2 924 335
	31 - 60 Days	588 315	364 525
	61 - 90 Days	407 022	386 679
	91 - 120 Days	387 591	385 868
	+ 120 Days	7 357 833	5 501 236
		<u>11 250 970</u>	<u>9 562 643</u>
	<u>Refuse: Ageing</u>		
	Current (0 - 30 days)	1 300 378	1 560 114
	31 - 60 Days	503 759	367 143
	61 - 90 Days	261 389	271 064
	91 - 120 Days	235 462	218 406
	+ 120 Days	3 314 671	1 747 185
		<u>5 615 659</u>	<u>4 163 913</u>
	<u>Sewerage: Ageing</u>		
	Current (0 - 30 days)	1 545 126	1 654 488
	31 - 60 Days	421 221	305 350
	61 - 90 Days	168 711	209 958
	91 - 120 Days	144 494	161 220
	+ 120 Days	2 123 104	1 163 533
		<u>4 402 656</u>	<u>3 494 549</u>
	<u>VAT: Ageing</u>		
	Current (0 - 30 days)	2 381 109	2 147 037
	31 - 60 Days	398 023	200 831
	61 - 90 Days	165 526	183 051
	91 - 120 Days	154 979	174 203
	+ 120 Days	2 074 038	1 337 402
		<u>5 173 675</u>	<u>4 042 523</u>
	<u>Other: Ageing</u>		
	Current (0 - 30 days)	1 115 111	709 814
	31 - 60 Days	978 403	242 778
	61 - 90 Days	388 884	327 581
	91 - 120 Days	391 714	342 242
	+ 120 Days	6 225 439	3 671 940
		<u>9 099 550</u>	<u>5 294 355</u>
	<u>Total: Ageing</u>		
	Current (0 - 30 days)	19 093 529	17 979 762
	31 - 60 Days	3 019 473	1 571 984
	61 - 90 Days	1 457 305	1 439 954
	91 - 120 Days	1 363 186	1 343 495

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	+ 120 Days	22 134 070	14 903 224
		<u>47 067 562</u>	<u>37 238 418</u>
	<i>The total ageing does not include the provision for income not yet billed of R 17 583 032 (2014: R 15 351 095) and income received in advance of R 404 103 (2014: R 1 098 434).</i>		
	Ageing of Receivables from Non-Exchange Transactions:		
	<u>Rates: Ageing</u>		
	Current (0 - 30 days)	3 695 368	3 096 473
	31 - 60 Days	290 455	104 494
	61 - 90 Days	197 934	83 884
	91 - 120 Days	196 066	68 393
	+ 120 Days	282 177	1 656 535
		<u>4 662 000</u>	<u>5 009 779</u>
	<i>The ageing does not include income received in advance of R 3 343 823 (2014: R 912 109) and traffic fines.</i> <i>Payments received are being prioritised in the following order:</i> - Property Rates - Refuse and Sanitation - Water - Electricity		
	Reconciliation of the Provision for Impairment		
	Balance at beginning of the year	9 324 145	10 374 559
	Provision for bad debt	7 597 071	240 590
	Amounts written off as uncollectable	<u>(3 353 518)</u>	<u>(1 291 004)</u>
	Balance at the end of the year	13 567 698	9 324 145
	Receivables from Exchange Transactions	12 747 969	8 473 327
	Receivables from Non-Exchange Transactions	819 729	850 818
	<i>Receivables from Exchange Transactions are billed monthly. No interest is charged on Receivables until the next billing period in the following month. Thereafter interest is charged at a rate determined by Council on the outstanding balance.</i> <i>Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.</i> <i>The Municipality did not pledge any of its Receivables as security for borrowing purposes.</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	<i>Concentrations of credit risk with respect to trade receivables are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's trade receivables.</i>		
5	OTHER RECEIVABLES		
	Sundry Debtors	925 833	842 105
	Balance Previously Reported		707 687
	Correction of Error - refer to note 36.3		134 418
	Total Other Receivables	925 833	842 105
	<i>Due to the short term nature of these items, the carrying value approximated the fair value</i>		
6	UNPAID CONDITIONAL GRANTS AND RECEIPTS		
	<i>Conditional Grants From Other Spheres of Government</i>		
	MIG	1 036 459	-
	EPWP - Provincial	647 169	-
	Health	-	2 380 659
	Other	207 706	229 230
	Balance Previously Reported		185 183
	Correction of Error - refer to note 36.4		44 047
	Community Sport for Youth Development	-	2 180 269
	Balance Previously Reported		2 615 600
	Correction of Error - refer to note 36.4		(435 331)
	Total Unpaid Conditional Grants and Receipts	1 891 334	4 790 158
7	SHORT TERM INVESTMENTS		
	Total short-term Investments	684 800	3 534 663
	Less: Investments qualifying as Cash and Cash Equivalents	(684 800)	(2 865 751)
	Total Short Term Investments	-	668 913
	<i>Investments with a maturity term of less than 3 months (90 days) are reclassified and disclosed as cash and cash equivalents.</i>		
	<i>It is council policy to invest surplus cash for periods not exceeding 12 months.</i>		
8	CASH AND CASH EQUIVALENTS		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	Cashier's Float	3 490	3 840
	Petty Cash	2 000	2 000
	Investments qualifying as Cash and Cash Equivalents	684 800	2 865 751
	Cash book balance of traffic account	751 383	-
	Total Cash and Cash Equivalents	1 441 674	2 871 591
	<u>Current Account (Traffic Bank Account)</u>		
	ABSA Bank Limited - Upington Branch: Account Number 40-8511-2448		
	Cash Book Balance at Beginning of Year	-	-
	Cash Book Balance at End of Year	751 383	-
	Bank Statement Balance at Beginning of Year	-	-
	Bank Statement Balance at End of Year	545 075	-
	<i>The account was opened on the 13th of October 2014.</i>		
	Investments qualifying as Cash and Cash Equivalents:		
	ABSA Bank: //Khara Hais Municipality 90-8329-4211	4 289	4 465
	ABSA Bank: //Khara Hais Municipality 20-7317-3551	-	278 112
	ABSA Bank: //Khara Hais Municipality 92-9233-7549	-	5 321
	ABSA Bank: //Khara Hais Municipality 92-9502-3329	-	38 139
	ABSA Bank: Gordononia Oord 20-6231-7138	516 852	
	First National Bank: //Khara Hais Municipality 710-3761-2332	163 659	
	03/76-6201-		
	Nedbank: //Khara Hais Municipality 3367/00087	-	2 539 714
		684 800	2 865 751
	<i>ABSA Bank held investment 20-7317-3551 as security for the purchase of Portion 348 of the Farm Bethesda. The security was uplifted during May 2015 and the investment was withdrawn.</i>		

9	NON-CURRENT BORROWINGS		
	Annuity Loans	123 069 195	145 667 638
	Less : Current portion transferred to current liabilities	(17 060 136)	(23 229 362)
	Total Non-Current Borrowings	106 009 059	122 438 276
	<i>(Refer to Appendix A for more detail on long-term liabilities)</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
10	EMPLOYEE BENEFITS		
	Post Retirement Medical Benefits	67 867 611	69 371 999
	Long-Service Awards	11 067 683	11 454 999
	Total Non-current Employee Benefit Liabilities	78 935 294	80 826 998
10.1	POST RETIREMENT MEDICAL BENEFITS	2015	2014
	Balance 1 July	71 904 000	69 965 768
	Contribution for the year	3 517 000	3 756 900
	Interest Cost	6 475 000	6 059 500
	Expenditure for the year	(2 289 559)	(2 040 754)
	Actuarial (Gain)	(9 172 581)	(5 837 414)
		70 433 860	71 904 000
	Less: Transfer of Current	(2 566 248)	(2 532 000)
	Net Post-Employment Health Care Benefit Liability	67 867 612	69 372 000
10.2	LONG SERVICE AWARDS		
	Balance 1 July	13 078 000	12 195 213
	Contribution for the year	1 323 000	1 156 901
	Interest Cost	1 056 000	794 436
	Expenditure for the year	(213 654)	(199 662)
	Actuarial (Gain)	(3 165 985)	(868 888)
		12 077 361	13 078 000
	Less: Transfer of Current	(1 009 677)	(1 623 000)
	Net Long Service Awards Liability	11 067 684	11 455 000
	TOTAL NON-CURRENT EMPLOYEE BENEFITS		
	Balance 1 July	84 982 000	82 160 981
	Contribution for the year	4 840 000	4 913 801
	Interest Cost	7 531 000	6 853 936
	Expenditure for the year	(2 503 213)	(2 240 416)
	Actuarial (Gain)	(12 338 566)	(6 706 302)
		82 511 220	84 982 000
	Less: Transfer of Current	(3 575 925)	(4 155 000)
	Net Post-Employment Health Care Benefit Liability	78 935 295	80 827 000
	Post Retirement Benefits		
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	- In-service (employees) members	417	415
	- In-service (employee) non-members	347	396
	- Continuation members (e.g. Retirees, widows, orphans)	73	70
	Total	837	881

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	The liability in respect of past service has been estimated to be as follows:		
	- In-service members	29 965 260	32 063 000
	- Continuation members	31 807 332	29 404 000
	- In-Service non-members	8 661 267	10 437 000
		<u>70 433 860</u>	<u>71 904 000</u>
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2015	2014
		R millions	R millions
	Members	70.434	71.904
	Total Liability	<u>70.434</u>	<u>71.904</u>
		2013	2012
		R millions	R millions
	Members	69.966	62.576
	Total Liability	<u>69.966</u>	<u>62.576</u>
		2015	2014
		R millions	R millions
	Experience adjustments were calculated as follows:		
	Liabilities: (Gain) / Loss	(8.599)	(5.837)
	Assets: Gain / (Loss)	-	-
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2013	2012
		R millions	R millions
	Liabilities: (Gain) / Loss	2.658	(2.220)
	Assets: Gain / (Loss)	-	-
	The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.		
	As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.		
	Therefore, although the Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.		
	The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
	- Bonitas		
	- Hosmed		
	- LA Health		
	- Keyhealth		
	- Samwumed		
	- Fed Health		
	Key actuarial assumptions used:		
	The principal assumptions used for the purposes of the actuarial valuations were as follows:		
	Rate of interest		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R			
	Discount rate	8.92%	8.94%			
	Health Care Cost Inflation Rate	8.01%	8.05%			
	Net Effective Discount Rate	0.85%	0.82%			
	Mortality rates					
	The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries					
	Normal retirement age					
	It has been assumed that in-service members will retire at an average age of 63, which then implicitly allows for expected rates of early and ill-health retirement.					
	The amounts recognised in the Statement of Financial Position are as follows:					
	Present value of fund obligations	70 433 860	71 904 000			
	Net liability/(asset)	70 433 860	71 904 000			
	The Municipality has elected to recognise the full increase in this defined benefit liability immediately					
	Balance 1 July	71 904 000	69 965 768			
	Contribution for the year	3 517 000	3 756 900			
	Interest Cost	6 475 000	6 059 500			
	Expenditure for the year	(2 289 559)	(2 040 754)			
	Actuarial (Gain)	(9 172 581)	(5 837 414)			
		70 433 860	71 904 000			
	Less: Transfer of Current	(2 566 248)	(2 532 000)			
	Net Post-Employment Health Care Benefit Liability	67 867 612	69 372 000			
	Sensitivity Analysis on the Accrued Liability	In-Service members liability R millions	Continuation member liability R millions	Total liability R millions		
	Assumption					
	Central Assumptions	38.627	31.807	70.434.		
	The effect of movements in the assumptions are as follows:					
		In-Service members liability R millions	Continuation member liability R millions	Total liability R millions	Change %	
	Assumptions	Change				
	Health care inflation	1%	40.747	32.538	73.285	4.0%
	Health care inflation	-1%	36.191	30.851	67.042	-5.0%
	Discount Rate	1%	32.240	29.244	61.484	-13.0%
	Discount Rate	-1%	46.786	34.794	81.580	16.0%
	Post-Retirement mortality	-1 year	39.548	32.731	72.278	3.0%
	Average retirement age	-1 year	42.551	31.807	74.358	6.0%
	Continuation of membership at retirement	-10%	33.583	31.807	65.390	-7.0%
	Sensitivity Analysis on Current-service and Interest Cost for the year ending 30 June 2015					
	The effect of movements in the assumptions are as follows:					
		Current Service Cost	Interest Cost	Total	Change	

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description			2015 R	2014 R
	Assumptions	Change	R millions	R millions	%
	Central Assumptions		3.517	6.475	9.992
	Health Care Inflation	1%	3.576	6.617	10.193
	Health Care Inflation	-1%	3.412	6.261	9.673
	-Mortality Rates	+20%	3.776	6.941	10.717
	-Mortality Rates	-20%	3.292	6.079	9.371
	Sensitivity Analysis on Current-service and Interest Cost for the year ending 30 June 2016				
	The effect of movements in the assumptions are as follows:				
	Assumptions	Change	Current Service Cost R millions	Interest Cost R millions	Total R millions
	Central Assumptions		3.7601	6.1736	9.9337
	Health Care Inflation	1%	3.9689	6.4280	10.3969
	Health Care Inflation	-1%	3.5121	5.8710	9.3831
	Discount Rate	1%	3.1460	5.9775	9.1235
	Discount Rate	-1%	4.5454	6.3649	10.9103
	Post-retirement mortality	-1 year	3.8486	6.3382	10.1868
	Average retirement age	-1 year	4.0606	6.5239	10.5845
	Continuation of membership at retirement	-10%	3.2592	5.7235	8.9827
	Long Service Bonuses			Employees	Employees
	The Long Service Bonus plans are defined benefit plans				
	As at year end, the following number of employees were eligible for Long Service Bonuses				
				764	818
	Rate of interest				
	Discount rate			8.06%	7.96%
	General Salary Inflation (Long-Term)			7.10%	7.33%
	Nett Effective Discount Rate applied to salary-related Long Service Bonuses			0.90%	0.59%
	The amounts recognised in the Statement of Financial Position are as follows:				
	Present value of fund obligations			12 077 361	13 078 000
	Net liability			12 077 361	13 078 000
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:				
		2015 R millions	2014 R millions	2013 R millions	2012 R millions
	Members	12.077	13.078	12.195	10.882
	Total Liability	12.077	13.078	12.195	10.882
				2015 R millions	2014 R millions
	Experience adjustments were calculated as follows:				

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	Liabilities: (Gain) / Loss	(2.897)	(0.049)
	Assets: Gain / (Loss)	-	-
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2013	2012
		R millions	R millions
	Liabilities: (Gain) / Loss	0.079	0.147
	Assets: Gain / (Loss)	-	-
	Balance 1 July	13 078 000	12 195 213
	Contribution for the year	1 323 000	1 156 901
	Interest Cost	1 056 000	794 436
	Expenditure for the year	(213 654)	(199 662)
	Actuarial (Gain)	(3 165 985)	(868 888)
		<u>12 077 361</u>	<u>13 078 000</u>
	Less: Transfer of Current	<u>(1 009 677)</u>	<u>(1 623 000)</u>
	Net Post-Employment Health Care Benefit Liability	<u>11 067 684</u>	<u>11 455 000</u>
	Sensitivity Analysis on the Accrued Liability		
	Assumptions	Change	Liability R millions
	Central assumptions	-	12.077
	General salary inflation	+ 1%	12.899
	General salary inflation	- 1%	11.335
	Discount rate	+ 1%	11.283
	Discount rate	- 1%	12.975
	Average retirement age	-2 yrs	11.174
	Average retirement age	+2 yrs	13.195
	Withdrawal rates	-50%	14.152
			Change %
			-
			7%
			-6%
			-7%
			7%
			-7%
			9%
			17%
	Sensitivity Analysis on Current-service and Interest Cost for the year ending 30 June 2015		
	The effect of movements in the assumptions are as follows:		
	Assumptions	Change	Current Service Cost R millions
	Central Assumptions		1.323
	General Salary Inflation	1%	1.439
	General Salary Inflation	-1%	1.221
	Withdrawal Rate	+20%	1.438
	Withdrawal Rate	-20%	1.224
			Interest Cost R millions
			1.056
			1.133
			.986
			1.119
			1.000
			Total R millions
			2.379
			2.572
			2.207
			2.557
			2.224
			Change %
			8%
			-7%
			7%
			-7%
	Sensitivity Analysis on Current-service and Interest Cost for the year ending 30 June 2016		
	The effect of movements in the assumptions are as follows:		
	Assumptions	Change	Current Service Cost R millions
	Central Assumptions		1.2560
			Interest Cost R millions
			0.9339
			Total R millions
			2.1894

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description			2015 R	2014 R
	General Salary Inflation	1%	1.3581	1.0000	2.3581
	General Salary Inflation	-1%	1.1638	0.8742	2.0380
	Discount Rate	1%	1.1685	0.9778	2.1463
	Discount Rate	-1%	1.3543	0.8814	2.2357
	Average retirement age	-2 year	1.2008	0.8611	2.0619
	Average retirement age	+2 year	1.3415	1.0240	2.3655
	Withdrawal Rate	-50%	1.5760	1.1012	2.6772
					8%
					-7%
					-2%
					2%
					-6%
					8%
					22%

11	NON-CURRENT PROVISIONS				
	Landfill Site - Environmental Rehabilitation			3 456 131	3 790 480
	Balance at the end of the period			3 456 131	3 790 480
11.1	<u>Landfill Site - Environmental rehabilitation</u>				
	Balance beginning of the period			3 851 413	1 329 759
	Reversal of a provision			(207 947)	-
	Interest Cost			-	6 228
	Change in provision of obligation			-	2 515 426
				3 643 466	3 851 413
	Less: Transfer of Current Portion			(187 335)	(60 933)
	Balance at the end of the period			3 456 131	3 790 480
	<i>//Khara Hais Municipality currently operates a landfill site. Environmental rehabilitation – environmental obligation to rehabilitate the various landfill sites upon closure.</i>				
	De Duine Landfill Site			2 917 481	2 972 682
	Leerkrans Landfill Site			725 985	878 731
	Total Landfill site rehabilitation			3 643 466	3 851 413
	<i>In terms of the licencing of the landfill refuse sites, the Municipality will incur rehabilitation costs to restore the sites at the end of their useful lives. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.</i>				

12	CONSUMER DEPOSITS				
	Electricity and Water			7 472 810	7 000 030
	Sundry			1 527 136	1 112 260
	Total Consumer Deposits			8 999 947	8 112 290
	Guarantees Held In Lieu of Electricity and Water Deposits			223 124	239 124
	<i>Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the Municipality can utilise the deposit as payment for the outstanding account.</i>				
	<i>No interest is paid on Consumer Deposits held.</i>				

13	CURRENT EMPLOYEE BENEFITS				
	Current portion of Post employment benefits transferred			2 566 248	2 532 000
	Current portion of Long service awards transferred			1 009 677	1 623 000
	Total current Employee Benefits			3 575 925	4 155 000

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
14	PROVISIONS		
	Performance Bonusss	867 610	1 216 021
	Current portion of Non-Current Provisions	187 335	60 933
	Total Current Provisions	1 054 944	1 276 954
	Performance bonuses		
	Balance beginning of the period	1 216 021	716 250
	Performance bonuses paid	(970 852)	-
	Contributions	622 440	499 771
	Balance at the end of the period	867 610	1 216 021
15	TRADE AND OTHER PAYABLES		
	Trade Creditors	92 484 867	64 489 854
	Balance Previously Reported		63 481 587
	Correction of Error - refer to note 36.1		1 008 267
	Payments Received in Advance	3 747 926	2 010 543
	Retentions	5 431 124	4 603 471
	Unidentified Deposits	866 712	1 073 628
	Other Creditors	2 098 542	9 631 406
	Balance Previously Reported		8 471 861
	Correction of Error - refer to note 36.1		1 159 544
	Leave Accrual	16 315 059	18 179 974
	Total Trade and Other Payables	120 944 230	99 988 875
	<i>Due to the short term nature of these items, the carrying value approximated the fair value</i>		
	<i>The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has policies in place to ensure that all payables are paid within the credit timeframe.</i>		
	Leave accrual		
	Balance beginning of the period	18 179 974	15 905 816
	Leave payments	(3 163 914)	(1 673 300)
	Contributions	1 298 999	3 947 458
	Balance at the end of the period	16 315 059	18 179 974
	<i>Provision for leave values due to employees is calculated in terms of the standard conditions of employment. The provision for leave is calculated on the cost to council, leave payouts are done on basic salary.</i>		
16	UNSPENT CONDITIONAL GRANTS AND DONATIONS		
16.1	Conditional Grants From Other Spheres of Government	5 675 345	36 056 942
	Provincial grants	17 076	1 574 001
	MIG	-	24 395 661
	Provincial LED Projects	-	101 593
	EPWP	-	1 443 737
	EPWP - Nasional	430 795	-

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	EEDMS	631 995	-
	Other	62 402	44 047
	Balance Previously Reported		-
	Correction of Error - refer to note 36.2		44 047
	DWA	154	154
	Balance Previously Reported		205 618
	Correction of Error - refer to note 36.2		(205 464)
	Housing	4 532 924	8 497 749
16.2	Conditional Public Grants and Donations	-	30 000
	Other	-	30 000
	Total Unspent Conditional Grants and Donations	5 675 345	36 086 942
	<i>Refer to note 22 for reconciliation of grants from other spheres of government.</i>		
	<i>Due to the short term nature of these items, the carrying value approximated the fair value</i>		

17	VAT (RECEIVABLE) / PAYABLE		
	VAT (Receivable) / Payable	(308 443)	(539 368)
	Balance Previously Reported		(492 508)
	Correction of Error - refer to note 36.6		(46 859)
	Total VAT Receivable / Payable	(308 443)	(539 368)
	<i>VAT is payable on the cash basis. Only once payment is received from debtors is VAT paid over to SARS and claimed from SARS when actual payment of creditors are done.</i>		

18	BANK OVERDRAFT		
	Bank overdraft - ABSA Bank (Account 22-4000-0051)	6 338 965	3 993 021
	<u>Current Account (Primary Bank Account)</u>		
	<i>ABSA Bank Limited - Upington Branch: Account Number 22-4000-0051</i>		
	Cash Book Balance at Beginning of Year – Overdrawn	(3 993 021)	(16 354 082)
	Cash Book Balance at End of Year - Overdrawn	(6 338 965)	(3 993 021)
	Bank Statement Balance at Beginning of Year	5 833 194	439 696
	Bank Statement Balance at End of Year	1 742 110	5 833 194
	<i>The Municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.</i>		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
19	ACCUMULATED SURPLUS		
	Accumulated surplus / (deficit)	1 559 250 259	1 535 586 435
	Balance Previously Reported		1 476 163 298
	Correction of Error - refer to note 36.11		59 423 137
	Total Accumulated Surplus	1 559 250 259	1 535 586 435
	Reconciliation of actual Surplus/(Deficit) for the year		
	Surplus/(Deficit) as per Statement of Financial Performance	23 663 824	(15 626 132)
	Plus:	87 738 344	96 229 952
	Depreciation	72 245 355	72 753 130
	Impairments	3 121 989	11 709 085
	Employee Benefits - Contribution to provisions	12 371 000	11 767 737
	Less:	(27 363 240)	(19 417 150)
	Fair Value Adjustment	(15 024 674)	(12 710 848)
	Actuarial Gain	(12 338 566)	(6 706 302)
	Actual Surplus/(Deficit) for the year	84 038 928	61 186 670
20	PROPERTY RATES		
	General Rates		
	Total Assessment Rates	76 867 931	61 002 862
	Valuations	30/06/2015	30/06/2014
		R 000's	R 000's
	Residential & Commercial	5 648 445	3 781 684
	Agricultural	4 685 637	1 633 783
	State	576 504	431 919
	Non Rateable	432 436	177 551
	Total Property Valuations	11 343 022	6 024 937
	<i>Valuations on land and buildings are performed every four years. The general valuation came into effect on 1 July 2014. A general rate of R 0.0096580 (2014 - R 0.013508) were applied to property valuations to determine assessment rates. Rates are levied on an annual or monthly basis on properties depending on the choice made by the property owner. The final date of payment for annually levied rates was 31 October 2014 and monthly levied by the 15th of the following month. Interest is levied on outstanding rates.</i>		
21	SERVICE CHARGES		
	Sale of Electricity	220 447 738	204 714 184
	Prepaid Electricity Sales	66 083 260	60 961 972
	Other Electricity Sales	3 250 072	3 671 412
	Balance Previously Reported		3 786 937
	Correction of Error - refer to note 36.14		(115 525)
	Metered Electricity Sales	151 114 406	140 080 801
	Balance Previously Reported		142 799 197
	Correction of Error - refer to note 36.14		(2 718 396)
	Sale of Water	47 325 677	44 475 373
	Balance Previously Reported		44 483 099
	Correction of Error - refer to note 36.14		(7 725)
	Refuse Removal	29 666 841	26 273 550
	Sewerage and Sanitation Charges	30 487 355	27 781 515
	Total Service Charges	327 927 612	303 244 623

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
22	GOVERNMENT GRANTS AND SUBSIDIES		
	Government Grants and Subsidies - Operating	67 146 929	69 412 773
	Balance Previously Reported		69 642 640
	Correction of Error - refer to note 36.19		(229 866)
	Government Grants and Subsidies - Capital	52 204 709	52 910 396
	Total Government Grants and Subsidies	119 351 637	122 323 170
	Equitable Share	56 129 000	53 914 000
	SETA Training Subsidy	339 476	370 654
	Health grant	319 159	1 275 000
	INEP	3 000 000	8 900 000
	Provincial	2 876 925	578 910
	MIG	26 264 120	40 122 461
	MSIG	934 000	890 000
	FMG	1 600 000	1 550 000
	Other Conditional Grants	354 459	1 263 682
	EPWP Grants	-	3 270 719
	EPWP - Nasional Grant	584 205	-
	EPWP - Provincial	697 615	-
	Department of Tourism	2 615 147	-
	Department of Public Works	9 569 062	-
	Municipal Infrastructure Support Agency (MISA)	4 860 095	-
	DWA	714 000	630 393
	Balance Previously Reported		424 928
	Correction of Error - refer to note 36.19		205 464
	IT5 Sivieli (Pty) Ltd	663 230	-
	Upington Salt (Pty) Ltd	30 000	-
	EEDSMG	3 368 005	-
	CoGHATA	1 463 922	5 504 329
	Community Sport for Youth Development	2 969 217	4 053 023
	Balance Previously Reported		4 488 353
	Correction of Error - refer to note 36.19		(435 331)
	Total Government Grants and Subsidies	119 351 637	122 323 170
22.1	Equitable Share and SETA Subsidies		
	In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy which is funded from this grant.		
	SETA subsidies are utilised to finance the operations of the specific department (Human Resources) within the municipality.		
22.2	Health grant		
	Balance unspent at beginning of year	(2 380 659)	(3 379 659)
	Current year receipts -	883 500	2 274 000
	Other transfers	1 816 318	-
	Conditions met - transferred to revenue	(319 159)	(1 275 000)
	Conditions still to be met - transferred to assets	-	(2 380 659)
	The grant is transferred from Department of Health to the Municipality. The grant is utilised for operational expenditure for Health Services provided by the Municipality. The function is no longer rendered by the municipality.		
22.3	INEP Grant		
	Balance unspent at beginning of year	-	(800 000)
	Current year receipts -	3 000 000	9 700 000
	Other transfers	-	-

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	Conditions met - transferred to revenue	(3 000 000)	(8 900 000)
	Conditions still to be met - transferred to liabilities / assets	-	-
	<i>This grant was used for electrical connections in previously disadvantaged areas.</i>		
22.4	Provincial Grants		
	Balance unspent at beginning of year	1 574 001	1 221 910
	Current year receipts	1 320 000	931 000
	Conditions met - transferred to revenue	(2 876 925)	(578 910)
	Conditions still to be met - transferred to liabilities	17 076	1 574 001
	<i>The grant was utilised for the upgrading of library infrastructure and equipment, as well as operating expenditure.</i>		
22.5	MIG		
	Balance unspent at beginning of year	24 395 661	32 106 123
	Current year receipts	22 032 000	34 945 000
	MIG withheld	(21 200 000)	(2 533 000)
	Conditions met - transferred to revenue	(26 264 120)	(40 122 461)
	Conditions still to be met - transferred to liabilities	(1 036 459)	24 395 661
	<i>The Municipal infrastructure grant is utilised for the construction of infrastructure in terms of the conditions of the grant. Due to critical vacant position within the Technical department, all MIG-projects could not be completed.</i>		
22.6	MSIG		
	Balance unspent at beginning of year	-	-
	Current year receipts -	934 000	890 000
	Conditions met - transferred to revenue	(934 000)	(890 000)
	Conditions still to be met - transferred to assets	-	-
	<i>The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems.</i>		
22.7	Provincial LED Projects		
	Balance unspent at beginning of year	101 593	101 593
	Other transfers	(101 593)	-
	Conditions still to be met - transferred to liabilities	-	101 593
	<i>Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.</i>		
22.8	FMG		
	Balance unspent at beginning of year	-	-
	Current year receipts	1 600 000	1 550 000
	Conditions met - transferred to revenue	(1 600 000)	(1 550 000)
	Conditions still to be met - transferred to assets	-	-
	<i>The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).</i>		
22.9	Other		
	Balance unspent at beginning of year	(185 183)	(1 118 001)
	Current year receipts	398 339	2 196 500
	Other transfers	(4 001)	-
	Conditions met - transferred to revenue	(354 459)	(1 263 682)
	Conditions still to be met - transferred to assets / liabilities	(145 304)	(185 183)

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	<i>Various grants received from different spheres (e.g. Lotto)</i>		
22.10	EPWP		
	Balance unspent at beginning of year	1 443 737	3 714 455
	Current year receipts	-	1 000 000
	Other transfers	(43 737)	-
	Withheld	(1 400 000)	-
	Conditions met - transferred to revenue	-	(3 270 719)
	Conditions still to be met - transferred to liabilities	-	1 443 737
	<i>The Expanded Public Works Programme Grant was allocated to the Municipality for paving projects in the community and improvement of roads.</i>		
22.11	EPWP - National		
	Balance unspent at beginning of year	-	-
	Current year receipts	1 015 000	-
	Conditions met - transferred to revenue	(584 205)	-
	Conditions still to be met - transferred to liabilities	430 795	-
	<i>The Expanded Public Works Programme Grant was allocated to the Municipality for the installation of water meters.</i>		
22.12	EPWP - Provincial		
	Balance unspent at beginning of year	-	-
	Other transfers	50 446	-
	Conditions met - transferred to revenue	(697 615)	-
	Conditions still to be met - transferred to liabilities	(647 169)	-
	<i>The Expanded Public Works Programme Grant was allocated to the Municipality for paving projects in the community and improvement of roads.</i>		
22.13	DWA		
	Balance unspent at beginning of year	154	-
	Current year receipts	714 000	630 547
	Conditions met - transferred to revenue	(714 000)	(630 393)
	Balance Previously Reported		(424 928)
	Correction of Error - refer to note 22		(205 464)
	Conditions still to be met - transferred to liabilities	154	154
	<i>The grant was used for capital expenditure in water reticulation and production.</i>		
22.14	IT5 SIVIEL (PTY) LTD		
	Balance unspent at beginning of year	-	-
	Current year receipts	663 230	-
	Conditions met - transferred to revenue	(663 230)	-
	Conditions still to be met - transferred to liabilities	-	-
	<i>A grant was received from IT5 Siviell (Pty) Ltd for the establishment of the long distance taxi rank and SMME Village.</i>		
22.15	UPINGTON SALT (PTY) LTD		
	Balance unspent at beginning of year	30 000	30 000
	Conditions met - transferred to revenue	(30 000)	-
	Conditions still to be met - transferred to liabilities	-	30 000
	<i>A grant was received from Upington Salt (Pty) Ltd for the establishment of the long distance taxi rank and SMME Village.</i>		
22.16	EEDSMG		
	Balance unspent at beginning of year	-	-
	Current year receipts	4 000 000	-
	Conditions met - transferred to revenue	(3 368 005)	-
	Conditions still to be met - transferred to liabilities	631 995	-

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	<i>To provide subsidies to municipalities to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure, in order to reduce electricity consumption and improve energy efficiency.</i>		
22.17	CoGHTA		
	Balance unspent at beginning of year	8 497 749	(3 933 593)
	Current year receipts	-	18 584 034
	Other transfers	(2 500 904)	(648 363)
	Conditions met - transferred to revenue	(1 463 922)	(5 504 329)
	Conditions still to be met - transferred to liabilities	4 532 924	8 497 749
	<i>To provide funding for the creation of sustainable and integrated human settlements.</i>		
22.18	Department of Tourism		
	Balance unspent at beginning of year	-	-
	Current year receipts	2 615 147	-
	Conditions met - transferred to revenue	(2 615 147)	-
		-	-
	<i>A grant was received from Department of Tourism for the development of a skateboard track.</i>		
22.19	Department of Public Works		
	Balance unspent at beginning of year	-	-
	Current year receipts	9 569 062	-
	Conditions met - transferred to revenue	(9 569 062)	-
		-	-
	<i>A grant was received from Department of Public Works for the construction of the hospital road at Keimoes Road.</i>		
22.20	Municipal Infrastructure Support Agency (MISA)		
	Balance unspent at beginning of year	-	-
	Current year receipts	4 860 095	-
	Conditions met - transferred to revenue	(4 860 095)	-
		-	-
	<i>A grant was received from MISA for eradication of bucket systems and construction of water borne toilets at Rosedale. Only the sewerage networks were transferred to //Khara Hais Municipality.</i>		
22.21	Community Sport for Youth Development		
	Balance unspent at beginning of year	(2 180 269)	-
	Current year receipts	5 149 486.06	1 872 753
	Conditions met - transferred to revenue	(2 969 216.94)	(4 053 023)
	Balance Previously Reported		(4 488 353)
	Correction of Error - refer to note 22		435 331
	Conditions still to be met - transferred to liabilities	-	(2 180 269)
	<i>A grant was received by Community Sport for Youth Development for the development of sport facilities.</i>		
23	OTHER INCOME		
	Administration Income	358 421.98	
	Commission	473 393	456 541
	Capital Contribution	438 596	-
	Consent Use	2 993 191	2 908 760
	Insurance Claims	1 359 710	679 098
	Occupational Practise Levy	877 728	251 126
	Other	2 262 642	2 139 041
	Plan fees	598 959	830 166
	Refund for capital and operational expenditure	2 609 615	-

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	Side Line Recoupment	233 690	204 938
	Unauthorised / Deviated Usage	306 200	-
	Total Other Income	12 512 146	7 469 669
	<i>The amounts disclosed above for Other Revenue are in respect of services, other than described in notes 20 to 21, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.</i>		
24	EMPLOYEE RELATED COSTS		
	Employee Related Costs - Salaries and Wages	150 155 560	153 415 916
	Employee Related Costs - Contributions for UIF, Pension, Medical Aid Funds, WCA and Group Life Insurance	36 617 418	36 966 971
	Housing Benefits and Allowances	280 590	285 411
	Overtime Payments	10 512 382	12 100 130
	Performance Bonus	622 440	499 771
		198 188 390	203 268 198
	Less: Employee Costs Capitalised	(1 750 880)	(3 828 606)
	Total Employee Related Costs	196 437 510	199 439 592
24.1	Remuneration of the Municipal Manager		7 months
	Annual Remuneration	1 080 569	691 073
	Car Allowance	204 000	131 865
	Contributions to Pension, Group Life & Medical Aid Funds	225 729	198 555
	Performance Bonuses	180 000	-
	Total	1 690 297	1 021 492
	<i>The position was only filled for 7 months in the 2013/2014 financial year.</i>		
24.2	Remuneration of Chief Financial Officer		
	Annual Remuneration	742 910	680 300
	Car Allowance	204 313	205 923
	Contributions to Pension, Group Life & Medical Aid Funds	152 327	153 426
	Performance Bonuses	168 476	-
		1 268 026	1 039 649
24.3	Remuneration of the Director Electro Mechanical Services		
	Annual Remuneration	863 635	794 520
	Car Allowance	42 165	41 934
	Contributions to Pension, Group Life & Medical Aid Funds	206 089	203 601
	Performance Bonuses	181 275	-
	Leave Gratuity	60 541	-
	Total	1 353 705	1 040 055
	<i>A new organogram was approved on the 31st of January 2014 which divided the Directorate Technical Services into three directorates. The Director Technical Services became the Director Electro Mechanical Services. Mr H A Auret's contract expired during May 2015 and he is currently acting in the position.</i>		
24.4	Remuneration of the Director Corporate Services		
	Annual Remuneration	738 580	678 000
	Car Allowance	203 915	203 293
	Contributions to Pension, Group Life & Medical Aid Funds	158 665	159 002
	Performance Bonuses	168 476	-
	Total	1 269 636	1 040 295
24.5	Remuneration of the Director Development Services		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	Annual Remuneration	966 113	901 943
	Car Allowance	135 566	128 734
	Contributions to Pension, Group Life & Medical Aid Funds	1 393	11 098
	Performance Bonuses	181 275	-
	Total	1 284 347	1 041 775
	<i>The Director was suspended with pay during the financial year. Acting allowances was paid to an acting director.</i>		
24.6	Remuneration of the Director Civil Engineering Services		4 months
	Annual Remuneration	934 922	225 609
	Car Allowance	122 280	50 250
	Contributions to Pension, Group Life & Medical Aid Funds	1 201	3 178
	Total	1 058 403	279 037
	<i>This position was created on the 31st of January 2014. The position was filled temporary from 25 March 2014 and permantely from 1 October 2014.</i>		
24.7	Remuneration of the Director Development and Planning Services		4 months
	Annual Remuneration	861 687	309 000
	Car Allowance	53 553	16 530
	Contributions to Pension, Group Life & Medical Aid Funds	110 557	3 784
	Total	1 025 797	329 314
	<i>This position was created on the 31st of January 2014. The position was filled temporary from 25 March 2014 and permantely from 1 October 2014.</i>		
	<i>Performance bonusses paid was for the 2012/2013 & 2013/2014 financial year. Performance bonusses for the 2014/2015 financial year is provided as set out in note 14</i>		
25	REMUNERATION OF COUNCILLORS		
	Mayor	718 069	678 490
	Speaker	595 382	551 620
	Executive Committee Members	1 198 405	1 132 936
	Councillors	4 601 300	4 385 815
	Councillors' Pension / Medical Aid Contribution	402 878	371 586
	Total Councillors' Remuneration	7 516 034	7 120 448
	In-kind Benefits		
	<i>The Mayor and Speaker are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.</i>		
	<i>The Mayor has use of a Council owned vehicle for official duties.</i>		
	<i>Refer to Appendix G for more detail.</i>		
26	CONTRIBUTIONS TO PROVISIONS		
26.1	Bad debts	7 597 071	240 590
	Total Bad Debts	7 597 071	240 590
26.2	Other contributions		
	Landfill site	-	-
	Balance Previously Reported		2 515 426
	Correction of Error - refer to note 36.24		(2 515 426)
	Employee Benefits - Post Retirement Medical Benefit	9 992 000	9 816 400
	Employee Benefits - Long Service	2 379 000	1 951 337
	Total Other Contributions	12 371 000	11 767 737

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
27	DEPRECIATION AND ASSET IMPAIRMENT		
	Depreciation on PPE	72 015 721	72 524 022
	Balance Previously Reported		81 825 847
	Correction of Error - refer to note 36.18		(9 301 826)
	Depreciation on Intangible Assets	229 634	229 109
	Balance Previously Reported		978 272
	Correction of Error - refer to note 36.18		(749 164)
	Impairment loss on PPE	3 121 989	11 709 085
	Balance Previously Reported		11 709 085
	Correction of Error - refer to note 36.18		-
	Total Depreciation and Asset Impairment	75 367 344	84 462 215
28	REPAIRS AND MAINTENANCE		
	Electricity Transmission and Reticulation	354 351	456 621
	Balance Previously Reported		489 233
	Correction of Error - refer to note 36.17		(32 612)
	General Vehicles	5 490 623	4 993 245
	Balance Previously Reported		5 010 373
	Correction of Error - refer to note 36.17		(17 128)
	Other Buildings	570 653	1 057 483
	Plant and Equipment	977 868	1 527 311
	Balance Previously Reported		1 557 001
	Correction of Error - refer to note 36.17		(29 690)
	Water Reticulation	632 694	682 474
	Other	1 271 039	1 838 315
	Balance Previously Reported		1 762 042
	Correction of Error - refer to note 36.17		76 273
	Total Repairs and Maintenance	9 297 228	10 555 449
29	FINANCE COSTS		
	Non-current borrowings	14 679 564	16 816 531
	Creditors	1 066 457	3 719 582
	Balance Previously Reported		3 121 639
	Correction of Error - refer to note 36.21		597 943
	Landfill Sites	-	6 228
	Financial Institutions	19 247	61
	Total Finance Costs	15 765 268	20 542 401
30	BULK PURCHASES		
	Electricity	146 071 804	133 060 862
	Water	3 761 111	3 314 997
	Balance Previously Reported		2 970 846
	Correction of Error - refer to note 36.22		344 151
	Total Bulk Purchases	149 832 916	136 375 859
	<i>Bulk purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from DWAF.</i>		

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Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
31	CONTRACTED SERVICES		
	Traffic Control Contracts	-	209 283
	Legal Costs	392 859	1 213 638
	Professional Fees	3 053 034	9 717 869
	Commission Prepaid Electricity	1 881 437	1 529 116
	Revenue Enhancement Project	2 225 103	2 095 779
	Other	1 584 980	1 218 165
	Balance Previously Reported		1 188 165
	Correction of Error - refer to note 36.15		30 000
	Total Contracted Services	9 137 414	15 983 849
32	GRANTS AND SUBSIDIES PAID		
	Donations	113 497	330 360
	Indigent Subsidy	26 933 554	26 879 177
	Total Grants and Subsidies Paid	27 047 051	27 209 537
	<i>The Mayor makes donations available on own discretion.</i>		
	<i>Indigent Subsidy are in respect of assistance to and providing basic service levels to indigent households.</i>		
33	OPERATING PROJECTS		
	Other	-	-
	Balance Previously Reported		1 394 202
	Correction of Error - refer to note 36.20		(1 394 202)
	Total Operating Projects	-	-
34	GENERAL EXPENDITURE		
	General Expenditure Includes the Following		
	Advertisements	513 326	199 153
	Audit Fees	4 487 395	3 492 692
	Bank Charges	1 451 154	1 081 850
	Black Plastic Bags	1 143 998	1 173 261
	Chemicals and Fertilizers	2 291 321	2 183 205
	Cleaning Material	383 560	559 496
	Commission Paid	886 685	973 399
	Cultural Festival	56 601	12 080
	Entertainment Costs	252 811	63 388
	Fuel & Oil	7 004 643	8 671 970
	Insurance Cost	1 756 035	2 063 765
	Laboratorium Analysis	563 379	458 524
	Licence Fees	737 519	761 078
	Losses through fraud and theft	19 198	20 099
	Membership Fees	1 899 495	2 133 236
	Municipal Consumption	1 146	41 522
	Operating Costs PMU	1 064 742	859 140
	Balance Previously Reported		-
	Correction of Error - refer to note 36.16		859 140
	Other General Cost	2 249 803	2 645 551
	Balance Previously Reported		1 697 769
	Correction of Error - refer to note 36.16		947 782
	Printing & Stationery	988 305	1 324 449
	Protective Clothing	474 762	486 494
	Rental: Equipment and Machinery	215 356	198 926
	Balance Previously Reported		131 637

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	Correction of Error - refer to note 36.16		67 289
	Street Lightening	904 469	172 972
	Balance Previously Reported		2 891 368
	Correction of Error - refer to note 36.16		(2 718 396)
	Subsistence & Travel Costs	1 486 109	1 065 239
	Telephone Cost	3 417 022	2 840 935
	Training	797 691	665 729
	Total General Expenditure	35 046 523	34 148 152
<i>The amounts disclosed above for Other General Costs are in respect of costs incurred in the general management of the Municipality and are not direct attributable to a specific service or class of expense.</i>			

35	RECONCILIATION BETWEEN NET SURPLUS / (DEFICIT) FOR THE YEAR AND CASH GENERATED / (ABSORBED) BY OPERATIONS		
35.1	CASH GENERATED/(ABSORBED) BY OPERATIONS		
	Surplus / (Deficit) for the year	23 663 824	(15 626 132)
	<u>Adjustments for:</u>		
	Depreciation on Property, Plant and Equipment	72 015 721	72 524 022
	Amortisation of Intangible Assets	229 634	229 109
	Impairment written off	3 121 989	11 709 085
	Gain on disposal of property, plant and equipment	-	(3 044 454)
	Loss on disposal of property, plant and equipment	9 455 798	-
	Actuarial Gain	(12 338 566)	(6 706 302)
	Fair Value Adjustment	(15 024 674)	(12 710 848)
	Debt Impairment	(218 907)	240 590
	Contribution from/to Landfill Sites	-	2 521 654
	Reversal of provision to Landfill Sites	(207 947)	-
	Contribution from/to Post Retirement Medical Benefits	9 992 000	9 816 400
	Contribution from/to Long-Service Awards	2 379 000	1 951 337
	Contribution from/to Post Retirement Medical Benefits - expenditure incurred	(2 289 559)	(2 040 754)
	Contribution from/to Long-Service Awards - expenditure incurred	(213 654)	(199 662)
	Contribution from/to Performance Bonus	622 440	499 771
	Contribution from/to Performance Bonus - expenditure incurred	(970 852)	-
	Operating Surplus/(Deficit) before changes in working capital	90 216 247	59 163 815
	Changes in working capital	(15 404 924)	33 853 003
	Increase in Trade and Other Payables	20 955 355	46 136 100
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(30 411 597)	(1 087 139)
	Increase/(Decrease) in Taxes	230 924	(10 678 212)
	(Increase)/Decrease in Inventory	172 662	276 309
	(Increase)/Decrease in Trade and other receivables	(9 251 092)	(1 301 556)
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	2 898 825	507 502
	Cash generated/(absorbed) by operations	74 811 323	93 016 818

35.2	CASH & CASH EQUIVALENTS		
	Cash & Cash Equivalents	1 441 674	2 871 591
	Bank Overdraft	(6 338 965)	(3 993 021)
	Total Cash & Cash Equivalents	(4 897 291)	(1 121 430)

36	CORRECTION OF ERROR		
36.1	Adjustment to Trade and other payables		
	Amount Previously Stated		97 821 064
	Provision for additional interest levied by SALA Pension Fund -2013/2014 - refer to note 15		597 943

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	Correction of money incorrectly allocated against Department of Transport instead of Income from Agency Services - 2013/2014 - refer to note 15		(66)
	Correction of Provision of Pre-Paid Creditor for water and electricity sales - 2012/2013 - refer to note 15		1 036 294
	Correction of Provision of Pre-Paid Creditor for water and electricity sales - 2013/2014 - refer to note 15		123 250
	Provision for Vectro not previously provided for -2013/2014 - refer to note 15		18 058
	Provision for Carpe Diem not previously provided for -2013/2014 - refer to note 15		392 332
	Restated balance		99 988 875
36.2	Adjustment to Unspent Conditional Grants		
	Amount Previously Stated		36 248 360
	Correction of operational expenditure not previously allocated against DWA - 2013/2014 - refer to note 16		(205 464)
	Reclassification of unspent other grants from unpaid grants to unspent grants - refer to note 16		44 047
	Restated balance		36 086 942
36.3	Other Receivables		
	Amount Previously Stated		707 687
	Correction of Portion 416 (a portion of portion 247) of the Farm Bethesda nr 38 incorrectly disclosed as other debtors - 2012/2013 - refer to note 5		(200 000)
	Reallocation of acquisition to other debtors since the municipality has no control over the property due to a litigation case - 2012/2013 - refer to note 5		42 433
	Reallocation of acquisition to other debtors since the municipality has no control over the property due to a litigation case - 2013/2014 - refer to note 5		270 000
	Recognition of expenditure paid in advance not previously disclosed as per ex. 11 - 2012/2013 - refer to note 5		17 562
	Recognition of expenditure paid in advance not previously disclosed as per ex. 11 - 2013/2014 - refer to note 5		4 423
	Restated balance		842 105
36.4	Unpaid Conditional Grants and Receipts		
	Amount Previously Stated		5 181 441
	Correction of Operational Expenditure on Community Sport for Youth Development previously overstated - 2013/2014 - refer to note 6		(435 331)
	Reclassification of unspent other grants from unpaid grants - refer to note 6		44 047
	Restated balance		4 790 158
36.5	Intangible Assets		
	Amount Previously Stated		306 950
	Correction of Intangible Assets previously incorrectly capitalised - 2012/2013 - refer to note 1.2		(1 128 185)
	Correction of Intangible Assets previously incorrectly capitalised - 2013/2014 - refer to note 1.2		(30 000)
	Correction of Amortisation on Intangible Assets previously overstated - 2012/2013 - refer to note 1.2		3 620 628
	Correction of Amortisation on Intangible Assets previously overstated - 2013/2014 - refer to note 1.2		749 164
	Restated balance		3 518 556
36.6	VAT		
	Amount Previously Stated		(492 508)
	Correction of VAT incorrectly claimed on a non-vat item - 2013/2014 - refer to note 17		840
	Recognition of expenditure paid in advance not previously disclosed as per ex. 11 - 2012/2013 - refer to note 17		1 176
	Recognition of expenditure paid in advance not previously disclosed as per ex. 11 - 2013/2014 - refer to note 17		(694)
	Provision for Carpe Diem not previously provided for -2013/2014 - refer to note 17		(48 181)
	Restated balance		(539 368)
36.7	Property, Plant and Equipment		
	Amount Previously Stated		1 577 881 955
	Correction of other assets at cost not capitalised - 2012/2013 - refer to note 1.1		9 719 076
	Correction of Accumulated depreciation previously incorrectly recognised - refer to note 1.1		26 175 813
	Correction of infrastructure not capitalised - 2013/2014 - refer to note 1.1		49 740
	Correction of PPE overstated due to Operational Expenditure being capitalised - 2012/2013 - refer to note 1.1		(125 411)
	Correction of PPE overstated due to Operational Expenditure being capitalised - 2013/2014 - refer to note 1.1		(513 651)
	Correction of VAT incorrectly claimed on a non-vat item - 2013/2014 - refer to note 1.1		840

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	Reallocation of acquisition to other debtors since the municipality has no control over the property due to a litigation case - 2012/2013 - refer to note 1.1		(42 433)
	Reallocation of acquisition to other debtors since the municipality has no control over the property due to a litigation case - 2013/2014 - refer to note 1.1		(270 000)
	Correction of PPE overstated due to disposed assets not removed from asset register - 2013/2014 - refer to note 1.1		(31 784)
	Correction of Depreciation on PPE - 2013/2014 - refer to note 1.1		9 301 826
	Correction of Landfill Site incorrectly recognised as expenditure instead of infrastructure - 2013/2014 - refer to note 1.1		2 515 426
	Restated balance		1 624 661 396
36.8	Investment Property		
	Amount Previously Stated		209 472 908
	Correction of rental houses previously incorrectly disclosed as investment property - 2012/2013 - refer to note 1.3		(562 561)
	Correction of fair value adjustment on rental houses incorrectly disclosed as investment property - 2013/2014 - refer to note 1.3		(34 316)
	Correction of Portion 416 (a portion of portion 247) of the Farm Bethesda nr 38 incorrectly disclosed as other debtors - 2012/2013 - refer to note 1.3		200 000
	Correction of Erf 2028 Olyvenhoudtsdrift Settlement and Bella Rosa not previously disclosed as Investment Property - 2012/2013 - refer to note 1.3		11 307 419
	Correction of fair value adjustment on investment property not previously disclosed property - 2013/2014 - refer to note 1.3		701 953
	Restated balance		221 085 402
36.9	Heritage Assets		
	Amount Previously Stated		4 273 005
	Correction of Heritage not previously revalued - 2012/2013 - refer to note 1.4		35 995
	Restated balance		4 309 000
36.10	Trade Receivables from Exchange Transactions and Non-Exchange Transactions		
	Amount Previously Stated		50 395 171
	Correction of payments received in advance for exchange transactions overstated - 2013/2014 - refer to note 4		(912 109)
	Correction of payments received in advance for non-exchange transactions understated - 2013/2014 - refer to note 4		912 109
	Restated balance		50 395 171
36.11	Adjustment to Accumulated Surplus		
	Amount Previously Stated		1 476 163 298
	Provision for additional interest levied by SALA Pension Fund -2013/2014 - refer to note 36.1		(597 943)
	Correction of Operational Expenditure on Community Sport for Youth Development previously overstated - 2013/2014 - refer to note 36.4		(435 331)
	Correction of money incorrectly allocated against Department of Transport instead of Income from Agency Services - 2013/2014 - refer to note 36.1		66
	Correction of rental houses previously incorrectly disclosed as investment property - 2012/2013 - refer to note 36.8		(562 561)
	Correction of fair value adjustment on rental houses incorrectly disclosed as investment property - 2013/2014 - refer to note 36.8		(34 316)
	Correction of other assets at cost not capitalised - 2012/2013 - refer to note 36.7		9 719 076
	Correction of Accumulated depreciation previously incorrectly recognised - refer to note 36.7		26 175 813
	Correction of municipal consumption incorrectly disclosed as expenditure - 2013/2014 - refer to note 34		2 718 396
	Correction of service charges overstated due to own consumption not journalised - 2013/2014 - refer to note 21		(2 718 396)
	Correction of infrastructure not capitalised - 2013/2014 - refer to note 36.7		49 740
	Correction of operational expenditure not previously allocated against DWA - 2013/2014 - refer to note 36.2		205 464
	Correction of Heritage not previously revalued - 2012/2013 - refer to note 36.9		35 995
	Correction of PPE overstated due to Operational Expenditure being capitalised - 2012/2013 - refer to note 36.7		(125 411)
	Correction of PPE overstated due to Operational Expenditure being capitalised - 2013/2014 - refer to note 36.7		(513 651)
	Reclassification of operational grant expenditure from operational grant expenditure to other expenditure - refer to note 33		1 394 202
	Reclassification of operational grant expenditure to other expenditure - refer to note 34		(1 394 202)
	Correction of Provision of Pre-Paid Creditor for water and electricity sales - 2012/2013 - refer to note 36.1		(1 036 294)
	Correction of Provision of Pre-Paid Creditor for water and electricity sales - 2013/2014 - refer to note 36.1		(123 250)
	Correction of Intangible Assets previously incorrectly capitalised - 2012/2013 - refer to note 36.5		(1 128 185)
	Correction of Intangible Assets previously incorrectly capitalised - 2013/2014 - refer to note 36.5		(30 000)
	Correction of Amortisation on Intangible Assets previously overstated - 2012/2013 - refer to note 36.5		3 620 628

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	Correction of Amortisation on Intangible Assets previously overstated - 2013/2014 - refer to note 36.5		749 164
	Correction of Erf 2028 Olyvenhoudtsdrift Settlement not previously disclosed as Investment Property - 2012/2013 - refer to note 36.8		11 307 419
	Correction of fair value adjustment on investment property not previously disclosed property - 2013/2014 - refer to note 36.8		701 953
	Correction of PPE overstated due to disposed assets not removed from asset register - 2013/2014 - refer to note 36.7		(31 784)
	Correction of Depreciation on PPE - 2013/2014 - refer to note 36.7		9 301 826
	Reclassification of repairs and maintenance to other expenditure - 2013/2014 - refer to note 28		54 348
	Reclassification from repairs and maintenance to other expenditure per audit exception 2 - 2013/2014 - refer to note 34		(54 348)
	Recognition of expenditure paid in advance not previously disclosed as per ex. 11 - 2013/2014 - refer to note 34		(12 941)
	Recognition of expenditure paid in advance not previously disclosed as per ex. 11 - 2012/2013 - refer to note 36.3		16 386
	Correction of Landfill Site incorrectly recognised as expenditure instead of infrastructure - 2013/2014 - refer to note 36.7		2 515 426
	Provision for Carpe Diem not previously provided for -2013/2014 - refer to note 30		(344 151)
	Restated balance		1 535 586 436
36.12	Adjustment to Statement of Financial Performance		
	Amount Previously Stated		(27 026 403)
	Provision for additional interest levied by SALA Pension Fund -2013/2014 - refer to note 36.11		(597 943)
	Correction of Operational Expenditure on Community Sport for Youth Development previously overstated - 2013/2014 - refer to note 36.11		(435 331)
	Correction of money incorrectly allocated against Department of Transport instead of Income from Agency Services - 2013/2014 - refer to note 36.11		66
	Correction of fair value adjustment on rental houses incorrectly disclosed as investement property - 2013/2014 - refer to note 36.11		(34 316)
	Correction of municipal consumption incorrectly disclosed as expenditure - 2013/2014 - refer to note 36.11		2 718 396
	Correction of service charges overstated due to own consumption not journalised - 2013/2014 - refer to note 36.11		(2 718 396)
	Correction of infrastructure not capitalised and incorrectly disclosed as maintenance - 2013/2014 - refer to note 36.11		49 740
	Correction of operational expenditure not previously allocated against DWA - 2013/2014 - refer to note 36.11		205 464
	Correction of PPE overstated due to Other Expenditure being capitalised - 2013/2014 - refer to note 36.11		(412 720)
	Correction of PPE overstated due to Repairs and Maintenance being capitalised - 2013/2014 - refer to note 36.11		(100 931)
	Reclassification of operational grant expenditure from operational grant expenditure to other expenditure - refer to note 36.11		1 394 202
	Reclassification of operational grant expenditure to other expenditure - refer to note 36.11		(1 394 202)
	Correction of Provision of Pre-Paid Creditor for water and electricity sales - 2013/2014 - refer to note 36.11		(123 250)
	Correction of Intangible Assets previously incorrectly capitalised - 2013/2014 - refer to note 36.11		(30 000)
	Correction of Amortisation on Intangible Assets previously overstated - 2013/2014 - refer to note 36.11		749 164
	Correction of fair value adjustment on investment property not previously disclosed property - 2013/2014 - refer to note 36.11		701 953
	Correction of Gain on Disposal of assets overstated due to disposed assets not removed from asset register - 2013/2014 - refer to note 36.11		(31 784)
	Correction of Depreciation on PPE - 2013/2014 - refer to note 36.11		9 301 826
	Reclassification of repairs and maintenance to other expenditure - 2013/2014 - refer to note 36.11		54 348
	Reclassification from repairs and maintenance to other expenditure per audit exception 2 - 2013/2014 - refer to note 36.11		(54 348)
	Recognition of expenditure paid in advance not previously disclosed as per ex. 11 - 2013/2014 - refer to note 36.11		(12 941)
	Correction of Landfill Site incorrectly recognised as expenditure instead of infrastructure - 2013/2014 - refer to note 36.11		2 515 426
	Provision for Carpe Diem not previously provided for -2013/2014 - refer to note 36.11		(344 151)
	Restated balance		(15 626 132)
36.13	Adjustment to Income from Agency Services		
	Amount Previously Stated		3 457 704
	Correction of money incorrectly allocated against Department of Transport instead of Income from Agency Services - 2013/2014 - refer to note 36.12		66
	Restated balance		3 457 770
36.14	Adjustment to Service Charges		
	Amount Previously Stated		306 086 270
	Correction of service charges overstated due to own consumption not journalised - 2013/2014 - refer to note 21		(2 718 396)
	Correction of Provision of Pre-Paid Creditor for water and electricity sales - 2013/2014 - refer to note 21		(123 250)
	Restated balance		303 244 623
36.15	Adjustment to Contracted Services		
	Amount Previously Stated		15 953 849
	Correction of Intangible Assets previously incorrectly capitalised - 2013/2014 - refer to note 31		30 000
	Restated balance		15 983 849

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
36.16	Adjustment to Other Expenditure		
	Amount Previously Stated		34 992 337
	Correction of municipal consumption incorrectly disclosed as expenditure - 2013/2014 - refer to note 34		(2 718 396)
	Correction of PPE overstated due to Other Expenditure being capitalised - 2012/2013 - refer to note 34		412 720
	Reclassification of operational grant expenditure to other expenditure - refer to note 34		1 394 202
	Reclassification from repairs and maintenance to other expenditure per audit exception 2 - 2013/2014 - refer to note 34		54 348
	Recognition of expenditure paid in advance not previously disclosed as per ex. 11 - 2013/2014 - refer to note 34		12 941
	Restated balance		34 148 152
36.17	Repairs and Maintenance		
	Amount Previously Stated		10 558 606
	Correction of infrastructure not capitalised and incorrectly disclosed as maintenance - 2013/2014 - refer to note 28		(49 740)
	Correction of PPE overstated due to Repairs and Maintenance being capitalised - 2013/2014 - refer to note 28		100 931
	Reclassification of repairs and maintenance to other expenditure - 2013/2014 - refer to note 28		(54 348)
	Restated balance		10 555 449
36.18	Depreciation and Asset Impairment		
	Amount Previously Stated		94 513 205
	Correction of Amortisation on Intangible Assets previously overstated - 2013/2014 - refer to note 27		(749 164)
	Correction of Depreciation on PPE - 2013/2014 - refer to note 27		(9 301 826)
	Restated balance		84 462 215
36.19	Government Grants and Subsidies - Operating		
	Amount Previously Stated		69 642 640
	Correction of Operational Expenditure on Community Sport for Youth Development previously overstated - 2013/2014 - refer to note 22		(435 331)
	Correction of operational expenditure not previously allocated against DWA - 2013/2014 - refer to note 22		205 464
	Restated balance		69 412 773
36.20	Operating Grant Expenditure		
	Amount Previously Stated		1 394 202
	Reclassification of operational grant expenditure from operational grant expenditure to other expenditure - refer to note 33		(1 394 202)
	Restated balance		-
36.21	Finance Charges		
	Amount Previously Stated		19 944 458
	Provision for additional interest levied by SALA Pension Fund -2013/2014 - refer to note 29		597 943
	Restated balance		20 542 401
36.22	Bulk Purchases		
	Amount Previously Stated		136 031 708
	Provision for Carpe Diem not previously provided for -2013/2014 - refer to note 30		344 151
	Restated balance		136 375 859
36.23	Fair Value Adjustment		
	Amount Previously Stated		12 043 212
	Correction of fair value adjustment on rental houses incorrectly disclosed as investment property - 2013/2014 - refer to note 1.3		(34 316)
	Correction of fair value adjustment on investment property not previously disclosed property - 2013/2014 - refer to note 1.3		701 953
	Restated balance		12 710 848
36.24	Contributions to provisions		
	Amount Previously Stated		14 283 163

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	Correction of Landfill Site incorrectly recognised as expenditure instead of infrastructure - 2013/2014 - refer to note 26		(2 515 426)
	Restated balance		11 767 737
36.25	Irregular Expenditure		
	Amount Previously Stated		149 447 348
	Correction of understatement of payments to ENS - 2013/2014 - refer to note 38.8		523 760
	Correction of understatement of payments to Cape Town Community Housing Company - 2013/2014 - refer to note 38.8		12 045 218
	Restated balance		162 016 326
37	RETIREMENT BENEFIT INFORMATION		
	Several councillors and employees belong to retirement and pension funds approved by the South African Local Government Bargaining Council. These funds are subject to regular actuarial valuation. These funds are run by their own Board of Directors and each fund have their own rules, compliant to legislation, that they must adhere to.		
38	ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
38.1	Contributions to Organised Local Government		
	Opening Balance	1 955 950	1 603 411
	Council Subscriptions	1 900 156	2 112 894
	Amount Paid - Current Year	(1 967 950)	(1 760 355)
	Balance Unpaid (Included in Creditors)	1 888 156	1 955 950
38.2	Audit Fees		
	Opening Balance	54 644	6 107
	Current Year Audit Fees	5 079 369	3 938 137
	Amount Paid - Current Year C00238	(5 104 907)	(3 889 600)
	Balance Unpaid (Included in Creditors)	29 106	54 644
38.3	VAT		
	VAT input receivables and VAT output receivables are shown in note 17. All VAT returns have been submitted by the due date throughout the year.		
38.4	PAYE		
	Opening Balance	1 417 506	-
	Current Year Payroll Deductions	19 448 550	19 139 657
	Amount Paid - Current Year	(20 866 056)	(17 722 152)
	Balance Unpaid (Included in Creditors)	-	1 417 506
38.5	Pension and Medical Aid Deductions		
	Opening Balance	4 353 610	-
	Current Year Payroll Deductions and Council Contributions	51 348 532	49 178 716
	Amount Paid - Current Year	(55 702 141)	(44 825 107)
	Balance Unpaid (Included in Creditors)	-	4 353 610
38.6	UIF Payments		
	Opening Balance	207 397	5 658
	Current Year Payroll Deductions and Council Contributions	2 451 922	2 696 356
	Amount Paid - Current Year	(2 659 319)	(2 494 618)
	Balance Unpaid (Included in Creditors)	-	207 397
38.7	Councillor's Consumer Accounts in arrear older than 90 days		

Notes to the Financial Statements for the Year Ended 30 June 2015

38.8	Irregular Expenditure	2015	Restated 2014
Reconciliation of irregular expenditure:			
Opening balance		162 016 326	128 225 967
Irregular expenditure current year		8 814 043	33 790 359
Written Off by Council		(95 747 161)	-
Irregular expenditure awaiting further action		75 083 209	162 016 326
Irregular expenditure awaiting condonement from National Treasury		170 830 370	162 016 326

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Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	Elster Kent Metering (Pty) Ltd	Procurement of Water Meters	291 880
	Key Master General	Blue and Red Locks for the Substations	30 600
	Compaction and Industrial Equipment	Part for UM328	31 681
	C-Pac Pump & Valves	Repair of 2 "Flight Pumps" at the Sewerage Works - Keidebees East	51 600
	C-Pac Pump & Valves	Repairs to the Flight Pumps at the Sewerage Works - Keidebees East	33 918
	C-Pac Pump & Valves	Repairs to the Flight Pumps at the Sewerage Works - Louisvale	33 542
	C-Pac Pump & Valves	Repairs to the Flight Pumps at the Sewerage Works - Malan Pump Station	33 305
	C-Pac Pump & Valves	Strip and Quote on "Dompel Pomp"	80 973
	Itron Metering Solutions (Pty) Ltd	Procurement of Electricity Meters	711 143
	Kalahari Stretch Tents	Hiring of a Stretch-tent for year-end function	47 025
	Lead Laundry and Catering	Strip and Quote on Industrial Iron	36 044
	Pitney Bowes SA	Maintenance contract on fragment machine and fragmented	37 440
	Silica Quartz	Graded Sand for Filters at the Abraham Holbors September Water	54 451
	The Hive Entertainment	Sound and Stage Equipment at the Carols by Candle Light Event	85 000
	Quill Associates	Metering Management Programme	85 500
	Quill Associates	Maintenance by Danie van Heerden on BIQ	95 731
	Quill Associates	Programme Changes on BIQ	34 770
	Uppington Besproeiingsraad	Water Rights at Melkstroom	32 774
	Friday Management Solutions (Pty) Ltd	Arbitration Attorney - legal & labour matters	19 369
	Trans Oranje Drukkers (Edms) Bpk	In possession of template of //Khara Hais Municipality for printing of documents	13 155
	Rocla (Pty) Ltd	Only supplier that complied with specifications	21 826
	Radio Riverside	Weekly programme on the local radio "Program uit die Raadsaal"	27 360
	Uppington Alternators & Rewind Cc	Strip and quote	18 561
	FP Smit	Emergency	10 488
	Syntell (Pty) Ltd	Repair and maintenance on the controller of the traffic light	18 970
	Selectech (Pty) Ltd	Only supplier of Loviband product	10 260
	Itron Metering Solutions (Pty) Ltd	Annual software and licence	119 130
	Lecflo Cc	Strip and quote	66 981
	Trans Oranje Drukkers (Edms) Bpk	In possession of template of //Khara Hais Municipality for printing of documents	53 396
	Lecflo Cc	Strip and quote	60 556
	Elster Kent Metering (Pty) Ltd	Only supplier that are able to deliver water meters that are being used by //Khara Hais Municipality.	48 444
			6 898 075

38.9 Fruitless and Wasteful Expenditure

Definition as per Municipal Finance Management Act:

"fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

The following fruitless and wasteful expenditure have been incurred by the municipality for the year under review:

Reconciliation of fruitless and wasteful expenditure:

	Total 30 June 2015	Total 30 June 2014
Opening balance	3 966 401	391 096
Fruitless and wasteful expenditure current year	1 283 209	3 941 138
Written Off by Council	(1 030 302)	(365 834)
Fruitless and wasteful expenditure awaiting further action	4 219 308	3 966 401

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R																																															
38.10	<table><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th></tr><tr><td>Commitment fees - All loans not taken up as per agreement</td><td>None</td></tr><tr><td>Traffic Fine paid to Provincial Administration</td><td>None</td></tr><tr><td>Interest and fines on late payments to SARS</td><td>None</td></tr><tr><td>Interest on ABSA Savings Accounts</td><td>None</td></tr><tr><td>Interest on late payment of creditors</td><td>None</td></tr><tr><td>Interest on late payment of ABSA</td><td>Additional Interest paid to financial institutional will be investigated</td></tr><tr><td>Fraud on payment to creditor TCS</td><td>None</td></tr><tr><td>Fruitless and Wasteful Expenditure identified in the current year relating to prior periods</td><td>None</td></tr><tr><td>Items paid for on capital projects but the items was stolen</td><td>None</td></tr><tr><td>Fraudulent payment to non-employees / "ghost workers"</td><td>None</td></tr><tr><td>Interest on late payment of DBSA</td><td>None</td></tr></table>	Incident	Disciplinary steps/criminal proceedings	Commitment fees - All loans not taken up as per agreement	None	Traffic Fine paid to Provincial Administration	None	Interest and fines on late payments to SARS	None	Interest on ABSA Savings Accounts	None	Interest on late payment of creditors	None	Interest on late payment of ABSA	Additional Interest paid to financial institutional will be investigated	Fraud on payment to creditor TCS	None	Fruitless and Wasteful Expenditure identified in the current year relating to prior periods	None	Items paid for on capital projects but the items was stolen	None	Fraudulent payment to non-employees / "ghost workers"	None	Interest on late payment of DBSA	None	<table><tr><td>76 046</td><td>76 046</td></tr><tr><td>1 800</td><td>1 800</td></tr><tr><td>210 214</td><td>10 027</td></tr><tr><td>17</td><td>17</td></tr><tr><td>90 322</td><td>71 050</td></tr><tr><td>970 667</td><td>966 303</td></tr><tr><td>15 299</td><td>15 299</td></tr><tr><td>2 755 805</td><td>2 755 805</td></tr><tr><td>52 558</td><td>42 658</td></tr><tr><td>4 800</td><td>4 800</td></tr><tr><td>41 780</td><td>22 597</td></tr><tr><td>4 219 308</td><td>3 966 401</td></tr></table>	76 046	76 046	1 800	1 800	210 214	10 027	17	17	90 322	71 050	970 667	966 303	15 299	15 299	2 755 805	2 755 805	52 558	42 658	4 800	4 800	41 780	22 597	4 219 308	3 966 401
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	Interest on ABSA Savings Accounts	None																																																
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52 558	42 658																																																	
4 800	4 800																																																	
41 780	22 597																																																	
4 219 308	3 966 401																																																	
Unauthorised		Total 30 June 2015	Restated 30 June 2014																																															
Reconciliation of unauthorised expenditure:																																																		
Opening Balance		153 907 243	135 422 337																																															
Written Off by Council		(152 722 377)	-																																															
Unauthorised expenditure current year		25 766 287	18 484 906																																															
Unauthorised expenditure awaiting authorisation/Condonement		26 951 152	153 907 243																																															
	<table><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th></tr><tr><td>Over expenditure of votes: non-cash items 2011/2012</td><td>None</td></tr><tr><td>Over expenditure of votes: cash items 2011/2012</td><td>None</td></tr><tr><td>Over expenditure of votes: non-cash items 2012/2013</td><td>None</td></tr><tr><td>Over expenditure of votes: cash items 2012/2013</td><td>None</td></tr><tr><td>Over expenditure of votes: non-cash items 2013/2014</td><td>None</td></tr><tr><td>Over expenditure of votes: cash items 2013/2014</td><td>None</td></tr><tr><td>Over expenditure of votes: cash items 2014/2015</td><td>None</td></tr><tr><td>Over expenditure of votes: non-cash items 2014/2015</td><td>None</td></tr></table>	Incident	Disciplinary steps/criminal proceedings	Over expenditure of votes: non-cash items 2011/2012	None	Over expenditure of votes: cash items 2011/2012	None	Over expenditure of votes: non-cash items 2012/2013	None	Over expenditure of votes: cash items 2012/2013	None	Over expenditure of votes: non-cash items 2013/2014	None	Over expenditure of votes: cash items 2013/2014	None	Over expenditure of votes: cash items 2014/2015	None	Over expenditure of votes: non-cash items 2014/2015	None	<table><tr><td>-</td><td>118 656 750</td></tr><tr><td>-</td><td>4 866 662</td></tr><tr><td>169 345</td><td>5 759 169</td></tr><tr><td>-</td><td>6 139 755</td></tr><tr><td>-</td><td>8 007 941</td></tr><tr><td>1 015 521</td><td>10 476 965</td></tr><tr><td>22 876 099</td><td>-</td></tr><tr><td>2 890 188</td><td>-</td></tr><tr><td>26 951 152</td><td>153 907 243</td></tr></table>	-	118 656 750	-	4 866 662	169 345	5 759 169	-	6 139 755	-	8 007 941	1 015 521	10 476 965	22 876 099	-	2 890 188	-	26 951 152	153 907 243												
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22 876 099	-																																																	
2 890 188	-																																																	
26 951 152	153 907 243																																																	
38.11	Non-Compliance with the Municipal Finance Management Act, Municipal Systems Act, Supply Chain Management Act and Minimum Competency Levels																																																	
	The following non-compliances with the Municipal Finance Management Act occurred during the year under review:																																																	
	Section 15: Unauthorised, irregular and fruitless and wasteful expenditure other losses were not prevented;																																																	
	Section 62(1)(d): Unauthorised, irregular and fruitless and wasteful expenditure other losses were not prevented;																																																	
	Section 65(2)(a) & (b): System for an effective expenditure control not always ensured;																																																	
	Section 65(2): Creditors not paid within 30 days;																																																	
	Section 57(A) of the MSA: No background checks are performed to ensure that persons dismissed for financial misconduct is being appointed within 10 years;																																																	
	Section 18(b) of the SCM regulations: Quotations above R 30 000 were not advertised for at least 7 days on the website;																																																	
	Section 19(a) of the SCM regulations: Goods and services in excess of R 200 000 were procured without inviting competitive bids;																																																	
	Section 36(1) of the SCM regulations: Deviations approved although it was not impractical to invite competitive bids;																																																	
39	RELATED PARTIES																																																	
39.1	Related party relationships exist between the municipality and the following parties:																																																	
	Mayor, Speaker , Councillors, Municipal Manager and Section 57 Managers.																																																	
	Related party transactions for municipal services																																																	

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R	
	During the year the municipality rendered services to the following related parties that are related to the municipality as indicated			
	30 June 2015	Rates	Services charges & Other levies	Total 30 June 2015
	Services rendered to related parties:			
	Councillors	44 085	156 518	200 603
	Municipal Manager & Sect 57 appointments	29 940	76 978	106 918
		74 025	233 496	307 521
	30 June 2014	Rates	Services charges & Other levies	Total 30 June 2014
	Services rendered to related parties:			
	Councillors	49 799	135 581	185 380
	Municipal Manager & Sect 57 appointments	26 530	63 224	89 754
		76 329	198 805	275 134
	<i>The rates, service and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised. The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from Councillors, the Municipal Manager and section 57 personnel.</i>			

Related party transactions			
The following business transactions were concluded with businesses where a councillor are a member or a director of the company.			
Company's Name	Councillor / Employee	Total 30 June 2015	Total 30 June 2014
Help-U-Agency	S Esau Owner of Help-U-Agencies is the father of EJJ Esau who is the Manager: SCM	22 500	34 600
M E G Omgewingsimpakstudies	M E Geldenhuys, owner of MEG Omgewingsimpakstudies, is the wife of Tender Evaluation Committee member C Geldenhuys. This was declared in the Tender Evaluation Committee meetings.	22 000	536 502
Sam Sampie Bouers	Mrs Coetzee, Owner of Sam Sampie Bouers, is the wife of Mr Piet Coetzee that is working at the Parks department.	-	78 835
RSI Entertainment	R Isaacs, Owner of RSI Entertainment, is the brother-in-law of E J J Esau who is the Manager: SCM	17 185	-
H C Adams Enterprises	Mr H Adams, Owner of H C Adams Enterprise, is the husband of Mrs L Adams that is working at the Street and Stormwater Department.	5 383	26 795
Gina's General Trade	Mrs G Juries, Owner Gina's General Trade, is the wife of Mr I Juries that is working at the LED, Tourism & Resort Department	67 016	140 099
J J Traffic Control Services	J J van Wyk, temporary employee, had a company that provided services to the park division	17 500	160 600
Mr R Horn	Employee	-	75 000
Mr M H Gusha	Employee	-	75 000
Mr I Kazi	Employee	-	75 000
Mr GX Yona	Employee	-	75 000
Mr Z G Xabendlini	Employee	-	75 000
Mr S Plaatjies	Employee	-	75 000
Mr A Sokaba	Employee	-	75 000
Mr BSC Jafta	Employee	-	75 000
Mr C De Wee	Employee	-	75 000
Mr D Plaatjies	Employee	-	75 000
Mr L May	Employee	-	75 000
Mr WZ Mlaza	Employee	-	75 000
Mr WS Masiza	Employee	-	75 000
Mr M G Bovu	Director	-	75 000
		151 584	2 027 431
The compensation of key management personnel is set out in note 24			

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
39.2	Related Party Loans Loans to senior management employees are no longer permitted since 1 July 2004		
40	CAPITAL COMMITMENTS Commitments in Respect of Capital Expenditure: Approved and Contracted for - <i>Infrastructure</i> <i>Community</i> <i>Other</i> This expenditure will be financed from: Approved and Contracted for - External Loans Government Grants Own Resources	9 282 149 8 929 897 157 251 195 000 9 282 149 - 5 512 779 3 769 370	65 606 458 59 722 211 5 884 246 - 65 606 458 7 395 581 58 096 786 114 090
41	CONTINGENT LIABILITIES //Khara Hais Municipality / Holtzhausen Familie Trust <i>Claims for damages to property of the applicant. Claim to be defended and thus far no summons have been issued. The case has expired in terms of the law on Prescription.</i> Claim from JHJ Van Niekerk <i>Claim for burns to Mr Van Niekerk's son at Eiland Resort. //Khara Hais Municipality lost the case, but an appeal was lodged. The appeal is still in process. The outcome of the appeal is still uncertain.</i> //Khara Hais Municipality / Tauris Garden Trading 500 CC <i>A road-work tender awarded to Tauris Garden Trading 500 CC. Applicant could not comply with tender conditions, and tender was cancelled by means of a court order before any work was done. Applicant lodged an appeal. No further progress has been made. According to our lawyers there is no new developments and that the case will not continue. No further contingent liability is therefore necessary.</i> //Khara Hais Municipality / Arrie Jors <i>Claim for improper eviction and property damages. Claim to be defended. Amount unknown but will not be less than mentioned amount. There is no new developments on the case. The case will not continue. No further contingent liability is therefore necessary.</i> //Khara Hais Municipality / AC Pool <i>Claim for injuries occurred on pavement at the corner of Mark and Hill Street. The matter is being defended by Council's attorneys. Case was settled. No further contingent liability is therefore necessary.</i> //Khara Hais Municipality / Northern Cape Development Appeal Tribunal <i>Council took the NC Development Appeal Tribunal on review in the NC High Court. No further progress has been made thus far. The outcome of the appeal is still uncertain.</i> //Khara Hais Municipality / Gawie Lukas <i>Claim for unlawful dismissal during October 2009. Mr Lukas took the matter for review to Labour Court in terms of Labour Relations Act of 1995. The outcome of the matter is still</i> //Khara Hais Municipality / Mr N Kaffir, Mrs Visagie, Mr B Bosman, Mr S May and several illegal occupants	540 427 - 28 030 - - 300 000 Unknown Unknown	8 534 585 40 100 28 030 7 554 163 100 000 299 895 300 000 Unknown Unknown

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Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	<i>Claim for eviction of several illegal occupants. An opinion was sought for eviction in the Northern Cape High Court and the case will heard on the 22nd of August 2014. The outcome of the matter is still uncertain.</i> //Khara Hais Municipality / Mr R J Coetzee <i>An application for urgent interdict was made to Northern Cape High Court. The case has been settled. No further contingent liability is therefore necessary.</i> //Khara Hais Municipality / Mr J J Lucuanda <i>Claim for eviction of an illegal occupant at 34 Mirage Street, Upington. The case has been settled. No further contingent liability is therefore necessary.</i> //Khara Hais Municipality / Cape Joint Pension Fund <i>Council has been summoned by the attorneys of Cape Joint Pension Fund - case number 12173/2012 for non-compliance with the Rule 17(5) of the Pension Fund. The case is being defended by Council's attorneys. The outcome of the case is still uncertain.</i>	- - 212 397	Unknown Unknown 212 397
42	CONTINGENT ASSET //Khara Hais Municipality / Brainstorm Media House <i>Case has appeared on the role of the Northern Cape High Court. Brain Storm has indicated that the matter will be defended. For the 2013/2014 financial year //Khara Hais Municipality claimed R 1 311 488 plus outstanding interest. At this stage the attorney's cannot provide us with an indication of the amount as the outcome is still uncertain.</i>	Unknown Unknown	1 311 488.23 1 311 488
43	COMPARISON WITH THE BUDGET The municipality's actual financial performance compared with the approved budgeted is set out in the budget comparison sheets.		
44	<u>Distribution Losses:</u> 44.1 <u>Electricity</u> Electricity distribution losses comprises of technical and non-technical losses. Technical losses, as defined in the NRS 080:2004, are losses on the electrical network due to the resistivity of the conductors and the energisation of transformers. Calculation of the technical losses of the municipal network which consists of urban and rural networks, applying the methodology in the NRS 080:2004, results in an estimated technical loss of 9.25%. Non-technical losses are losses due to theft, faulty meters and billing errors and is calculated by subtracting technical losses from the total losses. A total of 209 603 053 (2014: 206 382 986) units of kWh were purchased and a total of 189 290 072 (2014: 186 219 657) units of kWh were sold. Therefore a distribution loss of 20 312 981 (2014: 20 163 329) units or 9.69.% (2014: 9.77%), which is below the norm of 10% set by National Treasury, was incurred by //Khara Hais Municipality for the 2014-2015 financial year. The value of these losses at cost price amounts to R 14 285 476 (2014: R 13 000 696). 44.2 <u>Water</u> A total of 15 706 033 (2014: 14 944 639) kl of water were produced and a total of 9 366 305 (2014: 8 834 378) kl of water were sold. This represents a non-revenue water figure of 40.4% (2014: 40.9%) or 6 339 728 (2014: 6 110 261) kl for the financial year. The value of these losses at cost price amounts to R 11 982 086 (2014: 11 303 983). The high non-revenue figures stems primarily from the fact that //Khara Hais Municipality has about 5 154 house connections (informal settlements on formal sites) without water meters and about 1 871 customers (informal settlements on formal sites) receiving water from standpipes in the streets. Non-revenue water consists of the following components: Unbilled authorised consumption, which is the annual volume of metered and / or unmetered water taken by registered consumers, the water supplier and other who are authorised to do so, but which are not billed;		

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R		
	Apparent losses, which is made up of unauthorised consumption, all types of metering inaccuracies and systematic data handling errors; and Real losses, which is the annual volumes lost through all types of leaks, breaks and overflows on mains, service reservoirs and service connections, up to the point of customer metering.				
45	FINANCIAL RISK MANAGEMENT The activities of the municipality expose it to a variety of financial risks, including market risk (comprising currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.				
45.1	Foreign Exchange Currency Risk The Municipality does not engage in foreign currency transactions.				
45.2	Price Risk the Municipality is not exposed to price risk				
45.3	Interest Rate Risk As the Municipality has significant interest-bearing assets, the entity's income and operating cash flows are substantially dependent on changes in market interest rates. The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/(deficit) for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities. The Municipality did not hedge against any interest rate risks during the current year. The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow: 1% (2015 - 1%) Increase in interest rates 0.5% (2015 - 0.5%) Decrease in interest rates	(1 279 720) 639 860	(1 467 949) 733 975		
45.4	Credit Risk Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss. Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies. Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed acrossed different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practise this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. All rates and services are payable within 30 days from invoice date. Refer to note 4 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Due to the short term nature of receivables the carrying value disclosed in note 4 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at a rate approved by Council.				
		2015	2015	2014	2014
	The provision for bad debts could be allocated between the different classes of debtors as follows:	%	R	%	R
	Non-Exchange Receivables				
	Rates	6.04%	(819 729)	9%	(850 818)
	Exchange Receivables				
	Service Charges	93.96%	(12 747 969)	91%	(8 473 327)

//KHARA HAIS MUNICIPALITY

Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description			2015 R	2014 R
		100.00%	(13 567 698)	100.00%	(9 324 145)
	Bad debts written off per debtor class:				
	Non-Exchange Receivables				
	Fines	71.77%	2 406 971	0.00%	518 426
	Exchange and Non-Exchange Receivables				
	Rates and Service Charges	28.23%	946 548	100.00%	772 578
		100.00%	3 353 518	100.00%	1 291 004
	The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.				
	Receivables from Exchange Transactions and Receivables from Non-Exchange Transactions are individually evaluated annually at year end for impairment.				
	Financial assets exposed to credit risk at year end are as follows:			2015 R	2014 R
	Long Term Receivables			18 398	23 799
	Receivables from Exchange Transactions			52 306 729	45 214 620
	Receivables from Non-Exchange Transactions			7 474 713	5 180 551
	Cash and Cash Equivalents			1 441 674	2 871 591
				61 241 514	53 290 560

45.5

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 2 and 5 years	Between 6 and 10 years	Over 10 years
2015	143 478 276	42 800 596	35 209 510	28 200 388
Long Term Liabilities	16 858 701	42 800 596	35 209 510	28 200 388
Payables from Exchange Transactions	120 944 230	-	-	-
Unspent Conditional Grants and Receipts	5 675 345	-	-	-
2014	159 756 644	51 066 397	35 359 743	35 560 671
Long Term Liabilities	23 680 826	51 066 397	35 359 743	35 560 671
Payables from Exchange Transactions	99 988 875	-	-	-
Unspent Conditional Grants and Receipts	36 086 943	-	-	-

46	FINANCIAL INSTRUMENTS	2015 R	2014 R
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:		
46.1	Financial Assets		
	Financial instruments at amortised cost		
	Long Term Receivables	18 398	23 799

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Notes to the Financial Statements for the Year Ended 30 June 2015

Note	Description	2015 R	2014 R
	Receivables from Exchange Transactions	52 306 729	45 214 620
	Receivables from Non-Exchange Transactions	7 474 713	5 180 551
	Current Portion of Long Term Receivables	4 910	4 400
	Cash and Cash Equivalents	1 441 674	2 871 591
		<u>61 246 424</u>	<u>53 294 960</u>
46.2	Financial Liability		
	Financial instruments at amortised cost		
	Long Term Liabilities	106 009 059	122 438 276
	Payables from Exchange Transactions	120 944 230	99 988 875
	Current Portion of Long Term Liabilities	17 060 136	23 229 362
	Cash and Cash Equivalents	6 338 965	3 993 021
		<u>250 352 390</u>	<u>249 649 533</u>
47	EVENTS AFTER REPORTING DATE		
47.1	On the 7th of July 2015 Provincial Gazette No. 1911 was issued for the amalgamation of //Khara Hais Municipality and Mier Municipality. A public participation process is still ongoing and the outcome and / or the amalgamation date is still uncertain.		
48	Going Concern	2015	2014
	Deficit for the year	23 663 824	(15 626 132)
	During the period 2008/2009 to 2009/2010 the Municipality utilised the transitional provisions of Directive 4 issued by the Accounting Standards Board; which allowed the Municipality three years to recognise assets under the previous basis of accounting utilised by Municipalities. However, for the 2010/2011 financial year and retrospectively for two years the Municipality had to apply the new required Accounting Standards to recognise their assets. The result was that these assets were recognised at its current depreciated replacement cost; which resulted in a significant increase in the accumulated surplus. Due to the significant increase in the value of assets; depreciation subsequently increased as well. Thus, although the increase in depreciation has resulted in a deficit, this deficit is set-off against the large accumulated surplus that has been created. The off-setting depreciation must go – according to the approved GRAP Accounting Standards – through the Statement of Financial Performance and may not be off-set directly against the Statement of Changes in Net Assets. The deficit is thus funded by the accumulated surplus in the Statement of Changes in Net Assets; and, thus this will influence the setting of tariffs in the future. The Municipality compiled and approved a Municipal Turn Around Strategy. The Strategy was approved during November 2013. The Strategy aims to address the cash flow problems as well as other internal controls problems.		
	Current Assets less current liabilities	(93 693 742)	(110 955 963)
	It is noted with real concern that the current assets is R 93 693 742 (2014: 110 955 963) less than the current liabilities. Management are looking at ways to that will improve our current ratio of 0.57:1 (2014: 0.63:1) to a more favourable current ratio of 1:1. As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted. Due to the financial position of the municipality, management decided that no new loans will be raised. Counter funding on projects will funded through own generated funds. Capital projects where counter funding is required will be limited to service delivery projects. As current loans are being paid up our liability will decrease and our financial position will stabilise. Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.		

//KHARA HAIS MUNICIPALITY

APPENDIX A: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

External Loans	Loan Number	Redeemable	Loan term	Interest Rate (Fixed)	Balance at 01/07/2014	Received During the Period	Other Costs	Interest Levied	Redeemed During the Period	Payment not processed in time	Balance at 30/06/2015
					R	R			R		R
Annuity Loans											
Development Bank of SA	6100-4137	31/03/2015	20 years	12.00%	276 690	-	-	18 014	(293 089)	-	1 615
Development Bank of SA	6100-3172	31/12/2019	20 years	16.50%	6 721 838	-	-	1 078 999	(955 990)	(953 866)	5 890 981
Development Bank of SA	6100-0766	31/12/2015	7 years	12.98%	633 256	-	-	70 381	(240 015)	(239 127)	224 494
Development Bank of SA	6100-0764	31/12/2028	20 years	12.59%	33 326 848	-	-	4 179 499	(2 539 788)	(2 530 678)	32 435 881
Development Bank of SA	6100-0765	31/12/2023	15 years	6.75%	27 852 196	-	(11 129)	1 842 720	(2 014 042)	(2 004 346)	25 665 398
ABSA Bank	40-6309-6496	31/08/2015	10 years	10.04%	563 859	-	-	41 221	(478 934)	-	126 146
ABSA Bank	40-6353-0507	02/11/2015	10 years	10.07%	456 379	-	-	32 973	(319 718)	-	169 634
ABSA Bank	40-6396-1623	31/12/2015	10 years	10.12%	1 104 772	-	-	92 978	(600 498)	(200 166)	397 086
ABSA Bank	40-6447-8475	29/02/2016	10 years	10.17%	1 294 193	-	-	107 235	(802 957)	-	598 471
ABSA Bank	30-3213-8054	30-09-2015	5 years	9.60%	739 133	-	(553)	43 287	(788 637)	-	(6 770)
ABSA Bank	30-3213-9212	30-09-2015	5 years	9.06%	10 293 817	-	1 203 509	603 630	(8 620 935)	(783 721)	2 696 300
Standard Bank	310-634-334	20-01-2017	5 years	10.00%	16 791 932	-	(96 101)	1 409 995	(6 787 022)	(617 002)	10 701 803
Standard Bank	310-840-708	31-12-2027	15 years	11.35%	45 612 725	-	(20 967)	5 158 632	(3 291 117)	(3 291 117)	44 168 157
TOTAL EXTERNAL LOANS					145 667 638	-	1 074 759	14 679 564	(27 732 742)	(10 620 024)	123 069 195

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APPENDIX B: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2015

	Restated Opening Balance	Cost / Revaluation Under				Restated Opening Balance	Accumulated Depreciation				Carrying Value
		Additons	Construction	Disposals	Closing Balance		Additons	Disposals	Impairment	Closing Balance	
<u>Land and Buildings</u>											
Land and Buildings	189 917 054	31 384	-	(246 348)	189 702 090	(34 655 986)	(5 456 303)	128 259	-	(39 984 030)	149 718 059
Balance Previously Reported	190 229 488	31 384	-	(246 348)	190 014 523	(34 639 993)	(5 456 303)	128 259	-	(39 968 037)	150 046 486
Correction of Error - refer to note 36.7	(312 433)	-	-	-	(312 433)	(15 993)	-	-	-	(15 993)	(328 427)
	189 917 054	31 384	-	(246 348)	189 702 090	(34 655 986)	(5 456 303)	128 259	-	(39 984 030)	149 718 059
<u>Infrastructure</u>											
Roads and Storm Water	632 731 845	15 206 374	1 109 302	(4 706 811)	644 340 710	(127 711 725)	(23 185 707)	1 288 928	-	(149 608 504)	494 732 206
Balance Previously Reported	632 713 302	15 206 374	1 109 302	(4 706 811)	644 322 167	(127 643 791)	(23 185 707)	1 288 928	-	(149 540 570)	494 781 596
Correction of Error - refer to note 36.7	-	-	-	-	-	(67 934)	-	-	-	(67 934)	(67 934)
Transferred	18 543	-	-	-	18 543	-	-	-	-	-	18 543
Electricity	386 338 226	2 636 256	7 962 502	(851 083)	396 085 902	(87 778 150)	(14 801 317)	433 097	-	(102 146 370)	293 939 532
Balance Previously Reported	386 305 611	2 636 256	7 962 502	(851 083)	396 053 287	(87 392 703)	(14 801 317)	433 097	-	(101 760 923)	294 292 364
Correction of Error - refer to note 36.7	32 615	-	-	-	32 615	(385 447)	-	-	-	(385 447)	(352 832)
Sewerage Mains & Purification	153 538 499	5 480 703	5 570 773	(1 209 825)	163 380 150	(39 009 682)	(5 191 583)	623 160	-	(43 578 104)	119 802 045
Balance Previously Reported	153 538 499	5 480 703	5 570 773	(1 209 825)	163 380 150	(39 002 672)	(5 191 583)	623 160	-	(43 571 094)	119 809 055
Correction of Error - refer to note 36.7	-	-	-	-	-	(7 010)	-	-	-	(7 010)	(7 010)
Water Mains & Purification	493 827 364	2 233 323	22 768 637	(1 444 629)	517 384 695	(98 286 437)	(14 806 795)	955 610	-	(112 137 622)	405 247 073
Balance Previously Reported	493 993 624	2 233 323	22 768 637	(1 444 629)	517 550 955	(98 252 881)	(14 806 795)	955 610	-	(112 104 066)	405 446 889
Correction of Error - refer to note 36.7	(100 931)	-	-	-	(100 931)	(33 556)	-	-	-	(33 556)	(134 488)
Transferred	(65 328)	-	-	-	(65 328)	-	-	-	-	-	(65 328)
Solid waste	6 871 365	-	-	(143 778)	6 727 588	(2 692 686)	(1 133 826)	44 175	-	(3 782 337)	2 945 251
Balance Previously Reported	4 355 940	-	-	(143 778)	4 212 162	(2 692 686)	(189 946)	44 175	-	(2 838 456)	1 373 706
Correction of Error - refer to note 36.7	2 515 426	-	-	-	2 515 426	-	(943 880)	-	-	(943 880)	1 571 545
Railway infrastructure	12 358 701	-	-	-	12 358 701	(7 415 221)	(1 235 870)	-	-	(8 651 091)	3 707 610
Other Infrastructure	95 073	-	1 062 060	-	1 157 133	(14 676)	(2 446)	-	-	(17 122)	1 140 010
Balance Previously Reported	-	-	1 062 060	-	1 062 060	(14 676)	(2 446)	-	-	(17 122)	1 044 937
Correction of Error - refer to note	95 073	-	-	-	95 073	-	-	-	-	-	95 073
	1 685 761 073	25 556 656	38 473 274	(8 356 126)	1 741 434 877	(362 908 576)	(60 357 544)	3 344 971	-	(419 921 150)	1 321 513 727

<u>Community assets</u>											
Community Assets	87 203 487	6 209 673	298 379	(217 353)	93 494 186	(19 750 946)	(3 344 652)	118 077	(128 011)	(23 105 532)	70 388 653
Balance Previously Reported	87 818 740	6 209 673	298 379	(217 353)	94 109 439	(19 750 946)	(3 344 652)	118 077	(128 011)	(23 105 532)	71 003 907
Correction of Error - refer to note 36.7	(537 291)	-	-	-	(537 291)	-	-	-	-	-	(537 291)
Transferred	(77 962)	-	-	-	(77 962)	-	-	-	-	-	(77 962)
	87 203 487	6 209 673	298 379	(217 353)	93 494 186	(19 750 946)	(3 344 652)	118 077	(128 011)	(23 105 532)	70 388 653
<u>Other Assets</u>											
Vehicles and Movable Assets	85 217 473	1 198 429	-	(3 757 725)	82 658 177	(10 488 952)	(2 857 223)	3 701 612	(2 993 977)	(12 638 540)	70 019 637
Balance Previously Reported	75 422 531	1 198 429	-	(3 757 725)	72 863 234	(46 510 754)	(2 857 223)	3 701 612	(2 993 977)	(48 660 343)	24 202 892
Correction of Error - refer to note 36.7	9 653 068	-	-	-	9 653 068	36 021 803	-	-	-	36 021 803	45 674 870
Transferred	141 875	-	-	-	141 875	-	-	-	-	-	141 875
Other Fixed Assets	4 392 852	-	-	-	4 392 852	(26 083)	-	-	-	(26 083)	4 366 769
	89 610 325	1 198 429	-	(3 757 725)	87 051 029	(10 515 034)	(2 857 223)	3 701 612	(2 993 977)	(12 664 623)	74 386 406
GRAND TOTAL	2 052 491 939	32 996 142	38 771 653	(12 577 553)	2 111 682 181	(427 830 543)	(72 015 721)	7 292 918	(3 121 989)	(495 675 335)	1 616 006 846

//KHARA HAIS MUNICIPALITY

APPENDIX C: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
65 771 447	28 398 038	37 373 409	Executive & Council	12 635 470	28 935 468	(16 299 998)
131 676 250	57 466 164	74 210 086	Budget & Treasury	204 652 867	68 112 675	136 540 192
4 198 816	48 645 298	(44 446 482)	Corporate Services	3 511 897	51 125 305	(47 613 408)
5 224 794	11 660 858	(6 436 064)	Planning & Development	6 374 464	13 314 791	(6 940 327)
1 216 484	4 511 838	(3 295 354)	Health	319 159	4 012 373	(3 693 214)
891 193	8 354 181	(7 462 988)	Community & Social Services	2 841 730	7 180 187	(4 338 458)
6 151 138	7 238 334	(1 087 196)	Housing	1 250 126	4 080 666	(2 830 540)
6 530 851	22 508 860	(15 978 009)	Public Safety	9 178 776	22 161 782	(12 983 006)
4 505 986	33 065 352	(28 559 366)	Sport & Recreation	8 669 304	29 171 960	(20 502 656)
-	-	-	Environmental Protection	-	-	-
26 356 726	26 456 388	(99 662)	Waste Management	29 876 937	23 989 962	5 886 975
27 885 012	30 783 196	(2 898 185)	Waste Water Management	30 925 952	29 942 227	983 725
206 201	39 413 917	(39 207 716)	Road Transport	288 170	36 218 363	(35 930 193)
46 756 383	52 723 533	(5 967 150)	Water	47 340 228	48 005 015	(664 788)
205 003 181	175 283 636	29 719 545	Electricity	220 754 761	187 233 169	33 521 592
60	1 491 061	(1 491 001)	Other	840	1 472 911	(1 472 070)
532 374 521	548 000 654	(15 626 132)	TOTAL	578 620 681	554 956 857	23 663 824

//KHARA HAIS MUNICIPALITY

APPENDIX D: ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/2015 Actual R	2014/2015 Budget R	2014/2015 Variance R	2014/2015 Variance %	Explanation of Significant Variances (Above or below 10%)
REVENUE					
Property rates	76 867 931	76 900 000	(32 069)	0%	
Service charges	327 927 612	316 901 642	11 025 970	3%	
Rental of facilities and equipment	8 599 114	8 672 387	(73 273)	-1%	
Interest earned - external investments	705 541	680 000	25 541	4%	
Interest earned - outstanding receivables	2 476 625	2 500 000	(23 375)	-1%	
Fines	3 090 069	494 852	2 595 217	524%	Changes in iGRAP1
Actuarial Gain	12 338 566	-	12 338 566	100%	Actuarial gain not budgeted for
Reversal of Provision	218 907	-	218 907	100%	Reversal of provision not budgeted for
Fair Value Adjustment on Investment Property	15 024 674	1 500 000	13 524 674	100%	Less budgeted than actual amount
Licences and permits	1 664 742	1 616 459	48 283	3%	
Income for agency service	3 706 379	3 542 641	163 738	5%	
Income for housing agency service	1 250 000	1 250 000	-	0%	
Employee housing	55 042	61 762	(6 720)	-11%	Municipal houses are being sold, therefore less income will be received
Government grants and subsidies - Operating	67 146 929	65 799 826	1 347 103	2%	
Government grants and subsidies - Capital	52 204 709	42 915 772	9 288 937	22%	Capital projects not completed
Other income	12 512 146	9 574 815	2 937 331	31%	Other income actual more than budgeted for
Less: Revenue foregone	585 788 986 (7 168 305)	532 410 156 (7 162 113)	53 378 830 (6 192)	10% 0%	
Total Revenue	578 620 681	525 248 043	53 372 638	10%	
EXPENDITURE					
Employee related costs	196 437 510	199 726 072	3 288 562	2%	
Remuneration of councillors	7 516 034	7 481 962	(34 072)	0%	
Contributions to provisions - Bad debts	7 597 071	2 000 000	(5 597 071)	-280%	Changes in iGRAP 1
Contributions to provisions - Other	12 371 000	10 245 695	(2 125 305)	-21%	Increase in provision of LSA & PEMA
Actuarial Loss	-	1 000 000	1 000 000	-100%	No Actuarial losses
Collection cost	85 700	85 700	-	0%	
Depreciation and amortisation expense	72 245 355	110 733 857	38 488 502	35%	Changes in estimated RUL resulted in less depreciation
Impairment Loss	3 121 989	-	(3 121 989)	-100%	Budgeted under depreciation
Repairs and maintenance	9 297 228	16 804 250	7 507 022	45%	Cost containment measures resulted in less expenditure
Finance costs	15 765 268	16 825 000	1 059 732	6%	
Bulk purchases	149 832 916	150 166 696	333 780	0%	
Contracted services	9 137 414	10 606 099	1 468 686	14%	Cost containment measures resulted in less expenditure
Grants and subsidies paid	27 047 051	21 624 000	(5 423 051)	-25%	Increase in indigent subsidy
General expenses	35 046 523	39 184 262	4 137 739	11%	Cost containment measures resulted in less expenditure
Total Expenditure	545 501 059	586 483 593	40 982 534	7%	
Gain / (loss) on sale of assets	(9 455 798)	17 000 000	(26 455 798)	-156%	Losses on assets written off and disposal of erven
NET SURPLUS/(DEFICIT)	23 663 824	(44 235 550)	67 899 374	-154%	

//KHARA HAIS MUNICIPALITY

APPENDIX E: ACTUAL VERSUS BUDGET (ACQUISITION OF PPE, IP AND INTANGIBLE ASSETS) FOR THE YEAR ENDED 30 JUNE 2015

	2014/2015	2014/2015	2014/2015	2014/2015	
	Actual R	Adjustment Budget R	Variance R	Variance %	Explanation of Significant Variances
Executive & Council	176 120	83 785	92 335	110.20%	Capital projects not completed
Budget & Treasury	72 085	92 063	(19 978)	-21.70%	Capital projects not completed
Corporate Services	742 477	1 703 982	(961 505)	-56.43%	Capital projects not completed
Planning & Development	1 062 060	497 827	564 233	113.34%	Donation received from IT5 Sivil (Pty) Ltd not budgeted for
Community & Social Services	48 515	528 146	(479 631)	-90.81%	Capital projects not completed
Public Safety	29 213	30 316	(1 103)	-3.64%	Capital projects not completed
Sport & Recreation	6 624 712	4 041 075	2 583 637	63.93%	Donation received from Department of Tourism not budgeted for
Waste Management	26 750	28 534	(1 784)	-6.25%	Capital projects not completed
Waste Water Management	12 493 442	8 131 430	4 362 012	53.64%	Donation received from MISA not budgeted for
Road Transport	15 572 190	11 393 748	4 178 442	36.67%	Donation received by Department of Public Works not budgeted for
Water	24 400 342	35 602 174	(11 201 832)	-31.46%	Capital projects not completed
Electricity	10 603 292	12 413 942	(1 810 650)	-14.59%	Capital projects not completed
GRAND TOTALS	71 851 196	74 547 022	(2 695 826)	-3.6%	

APPENDIX F - Unaudited
//KHARA HAIS MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2014	Correction of error	Restated balance 1 JULY 2014	Contributions during the year	Transferred	Withheld	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2015	Unspent 30 JUNE 2015 (Creditor)	Unpaid 30 JUNE 2015 (Debtor)
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS										R	R
FMG	-	-	-	1 600 000	-	-	(1 600 000)	-	-	-	-
MSIG	-	-	-	934 000	-	-	(934 000)	-	-	-	-
Libraries	1 194 938	-	1 194 938	1 320 000	-	-	(2 458 506)	(39 357)	17 076	17 076	-
MIG	24 395 661	-	24 395 661	22 032 000	-	(21 200 000)	(3 806 282)	(22 457 838)	(1 036 459)	-	(1 036 459)
Lotto	27 407	-	27 407	-	-	-	(1 114)	(7 954)	18 339	18 339	-
Cleanest Town Competition	4 001	-	4 001	-	(4 001)	-	-	-	-	-	-
Royal Agricultural Society	(207 706)	-	(207 706.27)	-	-	-	-	-	(207 706)	-	(207 706)
Provincial LED Projects	101 593	-	101 593	-	(101 593)	-	-	-	-	-	-
EPWP	1 443 737	-	1 443 737	-	(43 737)	(1 400 000)	-	-	-	-	-
EPWP - Nasional	-	-	-	1 015 000	-	-	(71 745)	(512 461)	430 795	430 795	-
EPWP - Provincial	-	-	-	-	50 446	-	(11 571)	(686 044)	(647 169)	-	(647 169)
Health	(2 380 659)	-	(2 380 659)	883 500	1 816 318	-	(319 159)	-	-	-	-
INEP	-	-	-	3 000 000	-	-	(368 421)	(2 631 579)	-	-	-
EEDSMG	-	-	-	4 000 000	-	-	(444 565)	(2 923 440)	631 995	631 995	-
DWA	205 618	(205 464)	154	714 000	-	-	(87 684)	(626 316)	154	154	-
Department of Transport	379 062	-	379 062	-	-	-	(46 551)	(332 511)	-	-	-
Donations - Other	30 000	-	30 000	-	-	-	(3 684)	(26 316)	-	-	-
FET / COGHTA Learnership	(21 524)	-	(21 524)	53 339	-	-	(31 815)	-	-	-	-
IT5 Siviell (Pty) Ltd	-	-	-	663 230	-	-	-	(663 230)	-	-	-
Workers Appreciation Day	-	-	-	15 000	-	-	(15 000)	-	-	-	-
COGHSTA	8 497 749	-	8 497 749	-	(2 500 904)	-	(179 780)	(1 284 142)	4 532 924	4 532 924	-
Community Sport for Youth Development	(2 615 600)	435 331	(2 180 269)	5 149 486	-	-	-	(2 969 217)	-	-	-
Department of Tourism	-	-	-	2 615 147	-	-	-	(2 615 147)	-	-	-
Department of Public Works	-	-	-	9 569 062	-	-	-	(9 569 062)	-	-	-
Municipal Infrastructure Support Agency (MISA)	-	-	-	4 860 095	-	-	-	(4 860 095)	-	-	-
Upington Summer Festival & Carols by Candle Light	12 640	-	12 640	330 000	-	-	(298 577)	-	44 063	44 063	-
Total	31 066 918	229 866	31 296 785	58 753 859	(783 471)	(22 600 000)	(10 678 453)	(52 204 709)	3 784 012	5 675 345	(1 891 334)

APPENDIX G
//KHARA HAIS MUNICIPALITY
STATEMENT OF REMUNERATION OF COUNCILLORS & SENIOR MANAGEMENT

30 Junie 2015

Incumbent	Fees for Rates	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Leave Gratuity	Total Remuneration
	R		R	R	R	R	R	R
Mayor								
Limakatso A Koloi	821	2 435	615 703	-	-	102 366	-	718 069
Speaker								
Thomas Basson	-	-	523 915	-	71 467	-	-	595 382
Executive Committee								
Rlds E Allies	6 906	17 205	252 672	-	64 575	-	-	317 247
Rlds M Segede	-	4 378	296 379	-	20 868	-	-	317 247
Rlds J L Snyman	9 513	32 048	236 353	-	47 328	33 566	-	317 247
Rlds K De Wee	-	-	259 362	-	20 868	37 017	-	317 247
Other Councillors								
Rlds M Plaatjies	-	-	188 627	-	20 868	26 921	-	236 416
Rlds J Thomas	-	-	188 627	-	20 868	26 921	-	236 416
Rlds J Assegaa	-	-	215 548	-	20 868	-	-	236 416
Rlds S P May	145	4 803	208 519	-	20 868	7 029	-	236 416
Rlds I S S Selborne	2 463	7 040	205 468	-	30 948	-	-	236 416
Rlds E Munnik	724	5 983	188 627	-	20 868	26 921	-	236 416
Rlds M Kock	435	1 725	188 627	-	20 868	26 921	-	236 416
Rlds J Isaacs	4 684	11 158	188 627	-	20 868	26 921	-	236 416
Rlds M M Abels	3 139	7 187	188 627	-	20 868	26 921	-	236 416
Rlds M Andreas	-	-	215 548	-	20 868	-	-	236 416
Rlds M G Brand	-	2 608	150 620	-	64 575	21 221	-	236 416
Rlds R George	-	-	188 627	-	20 868	26 921	-	236 416
Rlds E Lebisa	-	-	171 841	-	43 707	20 868	-	236 416
Rlds E Mnyaka	-	-	215 548	-	20 868	-	-	236 416
Rlds J Moya	338	2 047	215 548	-	20 868	-	-	236 416
Rlds D Ntlanganiso	-	-	150 620	-	64 575	21 221	-	236 416
Rlds P T Van der Steen	5 259	28 501	215 548	-	20 868	-	-	236 416
Rlds A Van Rooyen	9 610	26 867	167 548	-	68 868	-	-	236 416
Rlds A van Wyk	-	-	188 627	-	20 868	26 921	-	236 416
Rlds M Bosman	48	2	146 624	-	18 119	40 532	-	205 275
Rlds E Olyn	-	2 532	188 627	-	20 868	26 921	-	236 416
Total for Councillors	44 085	156 518	6 161 004	-	828 918	526 112	-	7 516 034

30 Junie 2015

Incumbent	Fees for Rates	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Leave Gratuity	Total Remuneration
	R		R	R	R	R	R	R
Municipal Manager (filled for 7 months) DE Ngxanga	13 811	25 447	1 080 569	180 000	204 000	225 729	-	1 690 297
Chief Financial Officer GM Schreiner	338	7 223	742 910	168 476	204 313	152 327	-	1 268 026
Director: Community Services GM Bovu	3 815	5 933	966 113	181 275	135 566	1 393	-	1 284 347
Director: Corporate Services CM Newman	2 849	5 932	738 580	168 476	203 915	158 665	-	1 269 636
Director: Developmental Services PJ Viviers	-	-	861 687	-	53 553	110 557	-	1 025 797
Director: Electro-mechanical Services H Auret	9 127	32 442	863 635	181 275	42 165	206 089	60 541	1 353 705
Director: Civil engineering Services JE Kock	-	-	934 922	-	122 280	1 201	-	1 058 403
Total for Senior Managers	29 940	76 978	6 188 416	879 502	965 792	855 961	60 541	8 950 212

//KHARA HAIS MUNICIPALITY

APPENDIX H

RATIO ANALYSIS

2014/2015

RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	MUNICIPAL COMMENTS (#)
" R 000 "				

1. FINANCIAL POSITION

A. Asset Management/Utilisation

1	Capital Expenditure to Total Expenditure	10% - 20%		9%	Only capital projects funded by Grant allocations are being conducted
			Total Operating Expenditure	554 956 857	
			Taxation Expense	-	
			Total Capital Expenditure	52 204 709	

2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%		0%	The implementation of a stricter Asset Management Plan resulted in assets being impaired.
			PPE, Investment Property and Intangible Impairment	3 121 989	
			PPE at carrying value	1 616 006 846	
			IP at carrying value	217 637 918	
			Intangible Assets at carrying value	3 372 322	

3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%		1%	This is due to the implementation of GRAP 17 with the higher DRC values
			Total Repairs and Maintenance Expenditure	9 297 228	
			PPE at carrying value	1 616 006 846	
			Investment Property at Carrying value	217 637 918	

B. Debtors Management

1	Collection Rate	95%		96%	
			Gross Debtors closing balance	73 349 139	
			Gross Debtors opening balance	59 719 315	
			Bad debts written Off	3 353 518	
			Billed Revenue	404 795 543	

2	Bad Debts Written-off as % of Provision for Bad Debt	100%		25%	
			Consumer Debtors Bad debts written off	3 353 518	
			Consumer Debtors Current bad debt Provision	13 567 698	

3	Net Debtors Days	30 days		54 days	Credit Control and Debt Collection Policy is not fully implemented
			Gross debtors	73 349 139	
			Bad debts Provision	13 567 698	
			Billed Revenue	404 795 543	

C. Liquidity Management

1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	1 - 3 Months		0 Month	Non-collection of outstanding debtors resulted in cash flow problems
			Cash and cash equivalents	1 441 674	
			Unspent Conditional Grants	5 675 345	
			Overdraft	6 338 965	
			Short Term Investments	0	
			Total Annual Operational Expenditure	554 772 108	

2	Current Ratio	1.5 - 2:1		0.43	Non-collection of outstanding debtors resulted in cash flow problems
			Current Assets	69 955 750	
			Current Liabilities	163 649 492	

D. Liability Management

1	Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%		8%	Decrease in total operating expenditure resulted in higher capital cost percentage.
			Interest Paid	15 765 268	
			Redemption	27 732 742	
			Total Operating Expenditure	554 772 108	
			Taxation Expense	-	

2	Debt (Total Borrowings) / Revenue	45%		21%	
			Total Debt	123 069 195	
			Total Operating Revenue	578 620 681	
			Operational Conditional Grants	-	

E. Sustainability

1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%		-1%	Unspent Conditional Grants were not cash backed at the end of the financial year due to cash flow constraints
			Cash and cash Equivalents	1 441 674	
			Bank Overdraft	6 338 965	
			Short Term Investment	0	
			Long Term Investment	-	
			Unspent Grants	5 675 345	
			Net Assets	1 556 660 988	
			Share Premium	-	
			Share Capital	-	
			Revaluation Reserve	-	
			Fair Value Adjustment Reserve	-	
			Accumulated Surplus	-	

2. FINANCIAL PERFORMANCE

A. Efficiency

1	Net Operating Surplus Margin	= or > 0%		-5%	Total Operating Revenue excludes Capital Expenditure Transferred to Revenue. Implementation of GRAP 17 with higher DRC values resulted in depreciation in excess of R 80 million.
			Total Operating Revenue	526 415 972	
			Depreciation - Revalued Portion (Only populate if depreciation line item in the Statement of Financial Performance)	-	
			Total Operating Expenditure	554 772 108	
			Taxation Expense	-	

2	Net Surplus /Deficit Electricity	0% - 15%		15%	Electricity tariffs are approved by NERSA.
			Total Electricity Revenue	220 754 761	
			Total Electricity Expenditure	187 233 169	
3	Net Surplus /Deficit Water	= or > 0%		-1%	Water tariffs does not included provision to cover DRC values of assets due to implementation of GRAP 17.
			Total Water Revenue	47 340 228	
			Total Water Expenditure	48 005 015	
4	Net Surplus /Deficit Refuse	= or > 0%		20%	Refuse tariffs does not included provision to cover DRC values of assets due to implementation of GRAP 17.
			Total Refuse Revenue	29 876 937	
			Total Refuse Expenditure	23 989 962	
5	Net Surplus /Deficit Sanitation and Waste Water	= or > 0%		27%	Sanitation tariffs does not included provision to cover DRC values of assets due to implementation of GRAP 17.
			Total Sanitation and Water Waste Revenue	30 925 952	
			Total Sanitation and Water Waste Expenditure	22 690 068	

B. Distribution Losses

1	Electricity Distribution Losses (Percentage)	7% - 10%		10%	
			Number of units purchased and/or generated	209 603 053	
			Number of units sold	189 290 072	
2	Water Distribution Losses (Percentage)	15% - 30%		40%	A project War against leaks were implemented to address these losses. A water masterplan is in the process of being compiled.
			Number of kilolitres purchased and/or purified	15 706 033	
			Number of kilolitres sold	9 366 305	

C. Revenue Management

1	Growth in Number of Active Consumer Accounts	None		7%	Cleansing of Debtor Database through Revenue Enhancement Programme.
			Number of Active Debtors Accounts (Previous)	31 272	
			Number of Active Debtors Accounts (Current)	33 332	
2	Revenue Growth (%)	= CPI		9%	The average CPI for the year ended 30 June 2014 was used
			CPI	6%	
			Total Revenue (Previous)	532 374 522	
			Total Revenue (Current)	578 620 681	
3	Revenue Growth (%) - Excluding capital grants	= CPI		10%	The average CPI for the year ended 30 June 2014 was used
			CPI	6%	
			Total Revenue Exl.Capital (Previous)	479 464 125	
			Total Revenue Exl.Capital (Current)	526 415 972	

D. Expenditure Management

1	Creditors Payment Period (Trade Creditors)	30 days		160 days	Unspent grants previously not cash backed resulted in own funds being utilised to fund these projects as well as the non-collection of debtors resulted in cash flow problems
			Trade Creditors	120 944 230	
			Contracted Services	9 137 414	
			Repairs and Maintenance	9 297 228	
			General expenses	35 046 523	
			Bulk Purchases	149 832 916	
			Capital Credit Purchases (<i>Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment</i>)	71 851 196	

2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		19%	
			Irregular, Fruitless and Wasteful and Unauthorised Expenditure	106 077 051	
			Total Operating Expenditure	554 772 108	
			Taxation Expense	-	

3	Remuneration as % of Total Operating Expenditure	25% - 40%		37%	
			Employee/personnel related cost	196 437 510	
			Councillors Remuneration	7 516 034	
			Total Operating Expenditure	554 772 108	
			Taxation Expense	-	

4	Contracted Services % of Total Operating Expenditure	2% - 5%		2%	
			Contracted Services	9 137 414	
			Total Operating Expenditure	554 772 108	
			Taxation Expense	-	

E. Grant Dependency

1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	None		27%	
			Internally generated funds	19 178 229	
			Borrowings	-	
			Total Capital Expenditure	71 851 196	

2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		27%	
			Internally generated funds	19 178 229	
			Total Capital Expenditure	71 851 196	

3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	None		83%	
			Total Revenue	454 312 665	
			Government grant and subsidies	119 351 637	
			Public contributions and Donations	-	
			Capital Grants	52 204 709	

3. BUDGET IMPLEMENTATION

1	Capital Expenditure Budget Implementation Indicator	95% - 100%		96%	Inflated capital budget due to roll-overs
			Actual Capital Expenditure	71 851 196	
			Budget Capital Expenditure	74 547 022	

2	Operating Expenditure Budget Implementation Indicator	95% - 100%		95%	Stricter budget controls resulted in less portion of budget being spent
			Actual Operating Expenditure	554 772 108	
			Budget Operating Expenditure	586 483 593	

3	Operating Revenue Budget Implementation Indicator	95% - 100%		105%	Total Operating Revenue excludes Capital Expenditure Transferred to Revenue
			Actual Operating Revenue	526 415 972	
			Budget Operating Revenue	499 332 271	

4	Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%		103%	
			Actual Service Charges and Property Rates Revenue	397 627 238	
			Budget Service Charges and Property Rates Revenue	386 639 529	

Interpretation of results

	The green colour indicates that the result is within the norm and is acceptable
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.
	Data should be captured in the blue colour cell to calculate a ratio.
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced